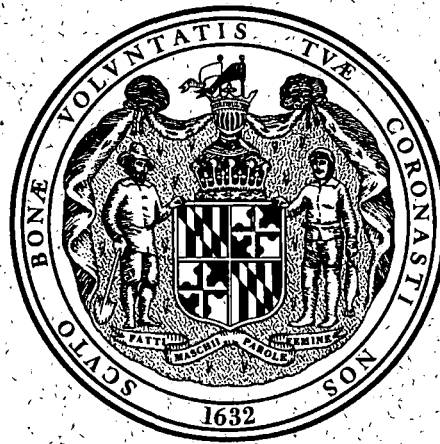


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Commission on Education Finance, Equity, and Excellence

Preliminary Report

**Annapolis, Maryland
January 2000**



Commission on Education Finance, Equity, and Excellence

Preliminary Report

Annapolis, Maryland

January 2000

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COMMISSION ON EDUCATION FINANCE, EQUITY, AND EXCELLENCE

Alvin Thornton., Chairman

Parris N. Glendening
Governor, State of Maryland

January 3, 2000

Governor Parris N. Glendening
President Thomas V. Mike Miller, Jr.
Speaker Casper R. Taylor, Jr.

On behalf of the Commission on Education Funding, Equity, and Excellence (Commission), I respectfully submit herewith the Commission's interim report to inform you of the activities of the Commission to date and its plans for completing its general mandate.

As required by Chapter 601, Acts of 1999 (House Bill 10), you appointed the 27-member Commission, which includes members of the Senate, members of the House of Delegates, the State Superintendent of Schools, other State and local government officials, and representatives of the education, labor and business communities. On October 6, 1999, Governor Glendening asked me to serve as chairman. Our charge as stated in the legislation is to review current education financing and accountability measures; make recommendations for ensuring adequacy, equity, and excellence; recommend strategies for providing a smooth transition as current education funding initiatives abrogate; evaluate the effectiveness of additional targeted funding versus increasing the base formula; and consider the effects of local property tax policies on the equitable allocation of education funding.

The Commission met in Annapolis on November 15, 1999 and on December 6, 1999. At the first meeting, an overview of the structure of school finance in Maryland, as well as a national comparison, were presented by the Department of Legislative Services, Office of Policy Analysis (OPA). In addition, State Superintendent Grasmick reviewed past studies of education funding in Maryland and suggested three key issues, in addition to the charge in the legislation, on which the Commission should focus. At the second meeting, Dr. Grasmick reviewed major components of the State's accountability system, and OPA provided a review of the Baltimore City School legislation and the School Accountability Funding for Excellence legislation, the two major funding initiatives that will sunset after fiscal 2002.

At our first meeting, Speaker Taylor asked us to consider funding to bridge the gap between where we are now and where we will be in three years, when the Commission's product is implemented, to address some current inequities. While the Commission has not had sufficient time to put arrive at specific funding recommendations for consideration by the upcoming General Assembly, we do recognize the existing needs of the local school systems. **Therefore, the Commission wishes to express its endorsement of the concept of "bridge" funding, such as that proposed in House Bill 34 of 1999, to be effective until our recommendations are implemented.**

Governor Parris N. Glendening
Page Two
January 3, 2000

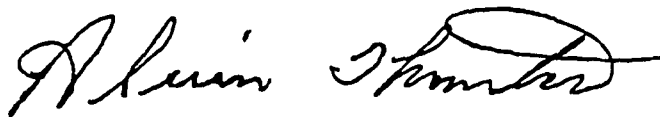
Due to the large number of legislators who are members of the Commission, the Commission will meet during the 2000 legislative session only if necessary. Otherwise, the Commission plans to reconvene in May to begin five months of intensive work in order to meet the October 15, 2000 deadline. As the proposed work plan attached indicates, we will begin by reviewing approaches to ensuring funding adequacy, including the possibility of the use of expert analysis. **In that regard, as you know, the Commission has requested \$200,000 to defray the cost of national experts on adequacy, as well as cover the cost of the production expenses associated with our final report.**

In June of 2000, we will begin an in-depth review of Maryland's accountability measures. In July, we plan to conduct an analysis of both fiscal and programmatic aspects of equity, including local effort issues and tax limitations, as a precursor to the major funding topics we are charged with considering. We plan to spend July and August conducting an in-depth review of funding options, including how best to transition as current funding initiatives abrogate, the effectiveness of providing additional State targeted grants versus additional flexible funding through the base formula, and options for the consolidation of some of the 50 education aid programs currently in place. We plan to invite public comment both at the beginning and end of this process. Of course, as all of these issues are intertwined, our work plan will continue to evolve as we proceed.

I want to emphasize that our work has only just begun. We have reviewed the current education financing and accountability measures and look forward to submitting to you in October our final findings and recommendations for an education funding system that will ensure adequacy, equity, and excellence for all the students of Maryland.

I appreciate your efforts to improve the quality of education for every child in Maryland. I want to thank your appointees on the Commission for making attendance at our initial meetings a priority as we begin this important task. I too am very pleased with the high quality of the work being provided by the staff assigned to the Commission.

Sincerely,

A handwritten signature in black ink, appearing to read "Alvin Thornton", with a stylized flourish at the end.

Alvin Thornton, Ph.D
Chairman

MEMBERSHIP ROSTER

Commission on Education Finance, Equity and Excellence

1999 Interim Membership Roster

Dr. Alvin Thornton, **Chairman**

Mr. Joseph F. Anderson, III
Senator Michael J. Collins
Delegate Norman H. Conway
Delegate Jean B. Cryor
Ms. Beatrice B. Gordon
Dr. Nancy S. Grasmick
Ms. Anntoinette M. Hatton
Dr. Francine Dove Hawkins
Delegate Sheila E. Hixson
Senator Barbara A. Hoffman
Delegate Carolyn J. B. Howard
Ms. Lorretta Johnson
Delegate Verna L. Jones
Dr. Donald Langenberg
Mr. Raymond G. LaPlaca
Senator Gloria Lawlah
Senator Christopher J. McCabe
Senator Thomas M. Middleton
Mr. William T. Middleton
Ms. Elizabeth K. Moyer
Ms. Carolyn Y. Perkins
Ms. Marilyn J. Praisner
Secretary Frederick W. Puddestter
Mr. Walter Sondheim, Jr.
Dr. G. William Troxler
Mr. John F. Wagoner

Commission Staff

Tom Lee
Renee Spence

Hiram Burch
Sarah Dickerson
Rachel Hise
Damian O'Doherty

PROPOSED WORK PLAN FOR 2000 INTERIM

1. The first step in the process of the development of a new product is the identification of a market need. This is done by conducting market research and analyzing the needs of potential customers. The next step is to develop a concept for the product, which involves creating a detailed description of the product's features and benefits. This is followed by the development of a prototype, which is a physical model of the product that can be used to test its functionality and appearance. The final step is the production of the product, which involves manufacturing the product in large quantities and distributing it to the market.

Commission on Education Finance, Equity, and Excellence
Proposed Work Plan For 2000 Interim

Revised January 3, 2000

Key Issues

- Do funding and spending disparities among local education agencies contribute to disparities in the educational opportunities and expectations afforded their students?
- Are we creating disparities, as well, *within* local school systems?
- What is the State's role in terms of resolving disparities that could contribute to educational inequity?

Proposed Topics for Consideration

(1) Ensuring Funding Adequacy

- Adequacy and the courts
- Approaches (professional judgement, typical high-performing districts, sophisticated statistical analysis, popular school improvement programs)
- Use of expert analysis (Guthrie, Augenblick, etc.)
- National comparison
- Early childhood education programs
- Minority achievement
 - Minority Achievement Report recommendations
 - Miles to Go in Maryland

Discuss the concept of adequacy, including a focus on a national comparison as well as how best to utilize expert analysis, early childhood education (specifically mentioned in House Bill 10) and minority achievement during May 2000.

(2) Ensuring Funding Equity

- Fiscal equity (demographics, enrollment, local effort, etc.)
- Programmatic equity (technology, class size, etc.)

Overview/analysis of fiscal equity and programmatic equity in mid-July 2000, as a lead in to the funding topics.

(3) Ensuring Excellence in School Systems and Student Performance

- Student/School performance accountability measures
 - Maryland School Performance Program
 - School Improvement Process
 - High school assessments
 - CTBS/5
 - School reconstitution
 - Use of research-proven strategies
- Teacher quality
- PreK-12 academic intervention
- Financial accountability
- Use of federal funds

In-depth review of all accountability beginning in June 2000.

(4) Providing for a Smooth Transition as Current Funding Initiatives Abrogate

- SB795 (1997 Baltimore City Schools legislation)
- HB1 (1998 School Accountability Funding for Excellence legislation)

Discuss in context of the next topic.

(5) Analyzing Effectiveness of Additional State Targeted Grants/Categorical Programs versus Increased State Funding Through the Base Formula

- Analysis of the basic current expense formula (any impact on the school construction State/local cost share)
- Analysis of other formulas: compensatory aid, teachers retirement, etc.
- Analysis of special education (nonpublic placements) and transportation
- Analysis of targeted grants/categorical programs: targeted poverty grants, etc.
- Drivers Education
- Development of options (consolidation of funding programs, etc.)

In-depth review of funding options in July and August 2000.

(6) Ensuring That Local Property Tax Policies Do Not Affect Funding Equity

- Local effort issues, tax limitations

Discuss in context of fiscal and programmatic equity and funding options.

Public Testimony

Invite public testimony in meetings in the various regions of the State in June, and again provide a comment period on the draft report in late September 2000.

FINAL REPORT: DUE OCTOBER 15, 1999

MINUTES OF COMMISSION MEETINGS

2. The following information is being furnished to you for your information:

Commission on Education Finance, Equity, and Excellence

Minutes

November 15, 1999

The Commission on Education Finance, Equity, and Excellence held its first meeting on November 15, 1999, at 1:00 p.m. in the Joint Hearing Room. The following members were present:

Dr. Alvin Thornton, Chairman
Mr. Joseph Anderson, III
Senator Michael Collins
Delegate Norman Conway
Ms. Beatrice Gordon
Dr. Nancy Grasmick
Ms. Antoinette Hatton
Dr. Francine Hawkins
Delegate Sheila Hixson
Delegate Carolyn Howard
Delegate Verna Jones
Mr. Raymond LaPlaca

Senator Gloria Lawlah
Senator Christopher McCabe
Senator Thomas Middleton
Mr. William Middleton
Ms. Elizabeth Moyer
Ms. Carolyn Perkins
Ms. Marilyn Praisner
Mr. Fred Puddester
Mr. Walter Sondheim, Jr.
Dr. G. William Troxler
Mr. John Wagoner

Dr. Thornton called the meeting to order and made opening remarks. He welcomed the members of the Commission and asked for members and staff to introduce themselves. Dr. Thornton reviewed the charge of the Commission as stated in House Bill 10 of 1999 (Chapter 601), which contains six major topics: 1) ensuring funding adequacy; 2) ensuring funding equity; 3) ensuring excellence in school systems and performance; 4) providing for a smooth transition as current funding initiatives abrogate; 5) analyzing the effectiveness of additional State targeted grants versus increasing funding through the base formula; and 6) ensuring that local property tax policies do not affect funding equity. The Commission has a final reporting date of October 15, 2000, with an interim report due January 1, 2000.

Dr. Thornton next invited Casper R. Taylor, Jr., Speaker of the House of Delegates, to make introductory remarks to the Commission. On behalf of himself and Senate President Miller, Speaker Taylor noted the importance of the commission's work in revising the State's education formulae for the 21st century, and said that any necessary resources will be made available. He pointed out that over the years the State has used the basic current expense formula and added programs to it to stay up with rapidly changing realities. He discussed the changing education environment with the growth in technology, student enrollment, and wealth differentials and the need to adjust the State's funding to address these changing realities in an equitable way in keeping with "One Maryland". Speaker Taylor noted the progress that was made with the enactment of the Baltimore City School legislation in 1997 and SAFE in 1998, and that those new funds all sunset after fiscal 2002, just in time for the Commission product to be implemented. He said that those funds cannot be allowed to sunset without a new funding model in place. Finally, he urged the Commission to seriously consider recommending in its interim report some funding to bridge the gap between where we are now and where we will be in three years, when the Commission's product is implemented, to address some severe inequities that exist now.

Dr. Thornton announced that the Commission's next meeting will be December 6 at 1:00 p.m. in the House Ways and Means Committee Room. He also noted his intention that the Commission not meet during the 2000 legislative session, and reconvene in May 2000 to begin its formal work.

The Commission next heard an overview of State and national education funding from analysts of the Department of Legislative Services, Office of Policy Analysis. Sarah Dickerson and John Rohrer presented a report on Maryland's education funding entitled *Structure of School Finance in Maryland* (see report).

Secretary Puddester asked if the education revenues included State retirement payments on behalf of local school districts, and if those were impacting the decline in revenue growth. John Rohrer indicated that the revenue figures do include State retirement payments and that payments have been going down since 1997 as a result of strong investment earnings. If retirement payments are removed, it would have the effect of increasing the growth in revenues since 1997; however, before 1997 retirement payments were increasing. Secretary Puddester suggested that it would be a better comparison to exclude retirement payments. Ms. Perkins also requested a breakdown of the revenues.

In response to a question on whether the transportation funding formula recognizes growth in enrollment, Mr. Rohrer indicated that the base transportation funding formula increases by the transportation consumer price index, and that during the 1990s modest adjustment was made to base some funding on enrollment. Mr. Rohrer noted that there has been no major review of the school transportation funding since the early 1980s.

Delegate Howard asked for clarification between "SAFE funding" and the SAFE comprehensive plan. Mr. Tom Lee of MSDE responded that the SAFE comprehensive plan is broader than the funding provided in the SAFE legislation and includes all fund sources that are relate to the at-risk student population, including Title 1 and compensatory aid.

Secretary Puddester asked about the categorization of transportation aid in Exhibit 7 (State Aid by distribution method). Mr. Rohrer explained that transportation falls under both the prior year and workload categories because student enrollment is a small portion of the formula.

Secretary Puddester asked for Exhibit 12 (education expenditures) to be recalculated to exclude retirement payments. He also asked about how the relatively small spending disparity across Maryland, with the lowest spending jurisdiction 13% below the State average and the highest 20% above average, compares nationally. Hiram Burch of DLS indicated that would be covered in the next report, but that Maryland's relatively small disparity is due to the small number of school districts in Maryland and the State's wealth-equalized distribution method for the majority of funding.

Next, Mr. Burch presented the report *Education Funding Overview: A National Comparison* (see report). In general, Maryland's approach is similar to other states with a minimum basic support program and categorical programs to address other needs. In Maryland, approximately 50 categorical programs comprise about 40% of the State's education funding.

Mr. La Placa asked for information comparing Maryland's average starting salaries to other states. Mr. Sondheim noted that using the average could mask the data, and requested the salary ranges. Ms. Praisner noted that seniority was also a factor in salaries and should be considered.

Senator McCabe asked why Maryland has so few school districts compared to other states. Mr. Burch answered that in Maryland, school districts follow the boundaries of the 24 counties, but that in other states, school districts often follow township or municipal boundaries within counties.

Delegate Howard requested a brief description of each of the State's 50 education aid programs.

Last, Dr. Nancy Grasmick, State Superintendent of Schools, presented a report on past education studies (see *Summary of Past Studies Concerning Elementary and Secondary Education in Maryland*). Dr. Grasmick noted that 11 commissions have examined education funding in Maryland over the past 30 years.

Dr. Grasmick suggested three major questions which the Commission should consider:

1. Do funding and spending disparities among local education agencies (LEAs) contribute to disparities in educational opportunities and expectations for students?
2. Is the State creating disparities within LEAs as a result of categorical funding?
3. What is the State's role in resolving disparities that may be contributing to inequities for students?

Dr. Grasmick also identified several key issues which the Commission should focus on. The first is special education. In the past decade costs have more than doubled, while the State's overall share of the costs has decreased, increasing the local burden. Dr. Grasmick suggested that the Commission may wish to examine the sharing of special education costs between the State and LEAs. The second issue is transportation, which the 1998 Counihan Task Force recommended that the Commission examine. Dr. Grasmick noted that the State's share of transportation costs has decreased from 99% in 1982 to 37% in 1999. She suggested that the Commission may wish to discuss State and local cost sharing, rural and urban factors, and transportation of special education students.

Third, Dr. Grasmick noted Maryland's strong standards-based reform effort and that quality must accompany any additional funding. Currently the State is pursuing the major initiative of demonstrating the value of a Maryland high school diploma - answering the question what does it mean between schools and LEAs - by setting tough graduation requirements, which necessitates a strong support system. She discussed the preK-12 intervention program approved by the State Board of Education which addresses three main issues: 1) students failing must have intervention--tutoring, summer school, after school; 2) educators' capacity to deliver quality programs; and 3) prevention before intervention--so young children don't reach school with skill deficiencies. Dr. Grasmick indicated that MSDE has submitted a budget request to the Governor for the program, and that the PreK-12 intervention program should be woven into Commission's work.

Finally, Dr. Grasmick suggested that the crisis in recruiting and retaining quality teachers and disparities in minority achievement in Maryland schools should also be part of the Commission's work.

Senator McCabe asked about the standards for evaluating the classification of students as special education. Dr. Grasmick responded that there are several reasons for the increase in special education students: 1) over identification of students in some LEAs; 2) medical technology saving children that in the past would not have been saved, resulting in more students with multiple disabilities; and 3) Maryland's success in bringing students back from out-of-state placements, which has caused an increase in state nonpublic placements due to using nonpublics in lieu of building capacity within school systems. With multiple disabilities, it is often more cost effective to place students in nonpublic institutions than to build capacity in the system.

Dr. Thornton noted that there is a correlation between the suburbanization of disadvantaged students and the proportionate number of special needs students, suggesting that students are being identified with special needs which aren't accurate. Dr. Grasmick agreed.

Ms. Perkins asked about the degree of misidentification. Dr. Grasmick responded that in some jurisdictions it could be 2-3% of the total identified population.

Several members discussed the value of special education and the importance of serving the needs of special education students as efficiently and effectively as possible. Senator Middleton asked for additional information on per pupil special education expenditures compared to general (non-special) education. Delegate Conway requested information on the legal costs associated with special education at both the State and local levels. Dr. Grasmick responded that MSDE has the State data but will need to gather the information from the LEAs. She also noted efforts to mitigate legal costs by using Administrative Law Judges to mediate disputes without going to court.

Dr. Thornton briefly discussed the draft 2000 work plan for the Commission (distributed) and asked for any comments. A request for an extension of the interim report due date was determined not to be necessary at this time. Dr. Thornton indicated that the "bridge" funding issue would be discussed at the next meeting on December 6. Senator Middleton suggested that the Commission may want to look at the issue of driver education. State funding for driver education was eliminated during the fiscal crisis in the early 1990s and school superintendents are not interested in bringing the program back if it's not State funded.

The meeting adjourned at approximately 3:15 p.m.

Commission on Education Finance, Equity, and Excellence

Minutes

December 6, 1999

The Commission on Education, Finance, Equity, and Excellence held its second meeting on December 6, 1999, beginning at 1:10 p.m. in Room 100 of the Lowe House Office Building. The following members are present:

Dr. Alvin Thorton, Chairman

Mr. Joseph Anderson, III
Delegate Norman Conway
Delegate Jean B. Cryor
Ms. Beatrice Gordon
Dr. Nancy Grasmick
Ms. Antoinette Hatton
Dr. Francine Hawkins
Delegate Sheila Hixson
Delegate Carolyn Howard

Senator Thomas Middleton

Mr. William Middleton
Ms. Elizabeth Moyer
Ms. Carolyn Perkins
Ma. Marilyn Praisner
Mr. Walter Sondheim, Jr.
Dr. G. William Troxler
Mr. John Wagoner

Dr. Thorton called the meeting to order and made opening remarks. He instructed the members to review the minutes from the November 15 meeting.

Senator Middleton clarified that he strongly supports funding for special education and that he did not want his question regarding special education to be construed otherwise. With this correction to the minutes requested, Senator Middleton moved that the minutes be adopted. The motion was seconded by Dr. Troxler and unanimously adopted by the Commission.

Dr. Thorton reiterated the Commission's charge as described by Casper R. Taylor, Jr., Speaker of the House of Delegates, that exemplifies the Speaker's commitment to *One Maryland* as well as the key issues recommended by Superintendent Grasmick during the November 15 meeting.

Next, Dr. Thorton welcomed Superintendent Grasmick to present an overview of accountability. Dr. Grasmick discussed the genesis of the State's accountability system under former Governor Schaefer. The crux of the accountability issue then, Dr. Grasmick stated, was whether Maryland students were achieving and how can the State collect data that can begin to answer that question. Dr. Grasmick cited several recommendations of the 1989 Sondheim Commission which included: (1) a belief system should underpin public education; (2) all students can learn; and (3) no student should have to attend a failing school.

Dr. Grasmick expounded that this belief system would have to: (1) recognize that public schools students and our communities are straddling a new era highlighted by an information age and an ever- accelerating demand for knowledge and information; and (2) instill in students the core capabilities of basic knowledge and further integrate advanced higher learning and problem

solving skill sets. This framework suggested a new system of assessment, often dubbed performance assessment, which requires: (1) working with knowledge; (2) applying the knowledge; and (3) subsequently defending the knowledge in a manner that can be readily assessed. This performance assessment model, Maryland State Performance Assessment Program or MSPAP, which began testing in 1991, focused on the entirety of each school and ultimately each elementary and middle school in the State.

Dr. Grasmick explained that the State Board of Education initiated an intensive two-year process of gathering information and data from the initial test results and concluded that it was necessary to establish a very high standard of performance. Dr. Grasmick remarked that this resulted in a year 2000 goal which was admittedly established without a comprehensive understanding of what efforts it would take to reach such a standard.

Dr. Grasmick stressed that Maryland, unlike most other states, has never altered this high standard of performance. For instance, Dr. Grasmick identified Massachusetts as a state that adjusted its standard of performance after the state's schools failed to meet the initial goals. Dr. Grasmick said that the ultimate accountability was to improve the quality of instruction in each class, each day.

Dr. Grasmick discussed the State's commitment to its high standard of performance and explained that a full report card on every school, in all jurisdictions, is available to the public via the Internet.

Dr. Grasmick then elaborated on the role of teachers and instructional capacity in Maryland schools. There is a panoply of professional development programs, support systems, and various materials available for instruction that need to be continually provided to teachers. Dr. Grasmick discussed further the State's recognition of the diversity of student backgrounds. Identifying these needs provides educators with an opportunity to determine the types of "safety nets" that are required for their students. Similar to national trends, Maryland's instructional capacity is not congruous in all public schools. Every state has set minimum standards. Only 14 have assessments, and Dr. Grasmick stated that few have the comprehensive package that Maryland provides.

Dr. Grasmick highlighted the results of the assessment standards. Since 1993, 10,000 more Maryland students earned a high school diploma than would have without the current standards-based assessments. Maryland has the lowest drop-out rate in the nation. In addition, 2,700 more students attend schools each day, a statistic that correlates highly with achievement, because schools are required to take attendance seriously. Each year, from 1993 to 1998, there has been a marked increase in performance. This year there was a slight 0.3 percent decrease in achievement that Dr. Grasmick attributed to a new level of systemic maturation. Nonetheless, Dr. Grasmick suggested that educators must follow the aphorism of the Sondheim Commission, "Never hide behind the averages."

Dr. Grasmick explained that schools and students can succeed, regardless of socio-economic backgrounds, by giving two promising examples - Pimlico Elementary and Mount Royal Elementary, both Baltimore City schools with a high-rate of students on the free and reduced meal program and exhibiting other characteristics of at-risk students.

Dr. Grasmick next explained the two-step reconstitution process that is founded on the principle that "No child should have to attend a failing school." First, the State recognizes failing schools that are distant from the State standard and declining in performance. These schools are identified as "reconstitution-eligible" which may require special attention from the local system, additional State resources, and technical support from the State. Dr. Grasmick said that there are 96 schools that are currently identified as reconstitution-eligible, as one school in Somerset County has recently exited from the program.

Second, the State can identify reconstitution-eligible schools that have failed to display progress over a 3-5 year period as "reconstituted." The State Board has the authority to close the school and redistribute the student population or contract the educational services to third party vendors. The State Board is currently requesting bids for a generic response to said service contracts for possible future reconstituted schools.

Dr. Grasmick next discussed a number of reform initiatives that have resulted from the State's commitment to accountability. They included: (1) the Baltimore City - State of Maryland partnership; (2) The Center for Reading Excellence; (3) in depth analyses of minority student performance; (4) a nationally recognized template for pre-K-12 intervention that will effectively end social promotion; (5) The Governor's Academy for Math and Science; (6) eliminating the out-dated functional diploma for a new diploma that requires passage of end-of-course exams; (7) The Maryland Plan for Technology, which encourages increased school linkages to Internet, teacher training, and software development; (8) a system of teacher professional development with higher education institutions; (9) The Technology Academy; (10) partnering with the Southern Education Foundation to improve middle schools; (11) The Reading Network; (12) HB 1/SAFE legislation; (13) a "first in the nation" federal regulatory waiver in certain areas; (14) School Recognition Program; (14) and a \$1 million grant from IBM for reinventing education.

Dr. Grasmick concluded that the Sondheim Commission was correct - "Our Kids Can Do It" - but now it is the responsibility of the adults to provide the resources.

Senator Middleton asked Dr. Grasmick what resources were required for Pimlico and Mount Royal Elementaries to succeed. Dr. Grasmick responded that Mount Royal's teachers ultimately redefined instruction and relied on a decision support system (provided from a federal grant). Other than the federal grant, there were no additional monetary resources allocated specifically to the school. As a reconstitution-eligible school, Pimlico was granted an additional \$60,000 per annum for three years from the State. These monies were strategically used by the new principal to focus on redefining instruction with the input of the community.

Dr. Troxler inquired as to the existence or results of any study that addresses common characteristics among reconstitution-eligible schools. Dr. Grasmick explained that the determination that 96 schools were reconstitution-eligible was overwhelming. Furthermore, Dr. Grasmick pointed out that 83 of these schools were located in Baltimore City, whose dysfunctional school system led to the restructuring efforts. These schools, in addition to those in Anne Arundel, Prince George's, and Somerset counties, typically share three central characteristics: (1) high numbers of students living in poverty; (2) less than dynamic principals; and (3) a breakdown in communication and support between the school and the local school system.

Delegate Cryor asked Dr. Grasmick if the two schools cited, Pimlico and Mount Royal Elementaries, had after-school education/tutoring programs. Dr. Grasmick responded that one of the schools did have such a program but that she would not attribute the school's success to after-school instruction.

Senator Middleton cited a study that suggested many of today's subjects taught in school may be antiquated and not responsive to the statistical and technical preparedness needs of the workforce. Dr. Grasmick responded that such studies are partially correct as schools must reconfigure their curriculum to meet the emerging needs of the workforce. However, she cautioned that educators should be reluctant to gear all educational instruction to career-oriented demands. She explained that such studies also have a bias in favor of an international approach to assessment standards. Dr. Grasmick noted that Maryland is one of the few states that currently conducts international bench marking of its standards.

Delegate Howard asked: (1) whether the two Baltimore City schools, cited by Dr. Grasmick, received federal funding, specifically Chapter 1 funding; and (2) the percentage of high poverty schools that are currently reconstitution-eligible. Dr. Grasmick explained: (1) that these schools had access to federal funding, but that the \$60,000 State grant was a unique resource; and (2) that "high poverty rates" were emblematic of all of the reconstitution-eligible schools.

Mr. Sondheim reinforced Dr. Grasmick's comments that the principals and teachers were the cause of the success in the cited schools.

Dr. Troxler commented on a recent survey that asked its participants what was most important to them about their work, and that salary was lower on the list than may be expected.

Dr. Troxler asked Dr. Grasmick how the MSPAP has evolved and who sets the standards. Dr. Grasmick said that teachers and administrators have input and, unlike most states, teachers actually score the assessments. Dr. Grasmick also said that teacher scoring has become a professional development tool for the teachers and is further evidence that the assessment is indeed authentic. Moreover, Dr. Grasmick listed a host of interested parties that give input to the State Board for purposes of developing the standards through the K-16 partnership.

Next, Mr. Burch presented the report *Overview of the Baltimore City Schools Legislation and the School Accountability Funding for Excellence (SAFE) Legislation* (see report). The Baltimore City Schools and safe legislation will provide local school districts with \$671 million in State funding over a five year period (fiscal 1998 through 2002). State funding under both legislative initiatives expires after fiscal 2002. Therefore, before fiscal 2003, the General Assembly must decide whether to continue the annual categorical funding to local school districts.

Ms. Praisner asked for clarification regarding the SAFE Comprehensive Plan and any determination as to the effectiveness of the funding. Dr. Grasmick responded that the performance of every single school system is assessed on an annual basis.

Delegate Conway added that State funding also must be tied to county goals and objectives. Delegate Conway ultimately suggested flexibility in funding must also be considered when designing accountability procedures.

Ms. Perkins suggested that additional funding should be tied to these comprehensive plans.

Lastly, Mr. Tom Lewis, Legislative Assistant to the Speaker, addressed the Commission, on behalf of the Speaker of the House, Casper R. Taylor, Jr., with regards to "bridge" funding as proposed in House Bill 34 of 1999 entitled, "State Aid for Public Education - School Operating Support Grants." Mr. Lewis explained that, as introduced last year, the bill would have established a three-year supplemental funding formula that would provide local school systems with up to \$30 million in additional operating aid until a new educational funding initiative(s) is recommended by the Commission after the Baltimore City Schools and SAFE legislation expire in 2002. HB 34's genesis was founded in discussions initiated by local superintendents with Dr. Grasmick and Speaker Taylor. Mr. Lewis said that the superintendents contended that the current categorical funding formulas were too restrictive and prohibited the local school districts from responding to emerging system needs. HB 34 sought to remedy this deficiency by providing flexible funding that was enrollment based with an adjustment for wealth that would expire with the Baltimore City and SAFE legislation.

Dr. Grasmick concurred with the concept and explained two issues the legislative remedy attempts to address. First, the State places certain demands on local systems relating to accountability, while aid is granted categorically. For example, the State does not fund the mandate that requires local systems to create system-wide plans addressing accountability. Second, in light of the increase in enrollment many boards are in a deficit with maintenance of effort because maintenance of effort is perceived by some local governments as maximums, not minimums.

Superintendent Middleton reinforced Dr. Grasmick's comments by expressing his appreciation for the categorical grants but noting that the local systems are in dire need of flexibility.

Ms. Perkins asked Mr. Lewis about the origin of the \$30 million grant figure. Dr. Grasmick responded that Speaker Taylor identified available funds and responded to the needs of the superintendents. Mr. Lewis concurred and added that the formula is adjusted according to the wealth of the jurisdiction and remains an equitable distribution of aid.

Mr. Anderson asked how "Bridge Funding" correlates with accountability. Dr. Grasmick responded by stating that accountability is determined by the schools achievement relative to certain benchmarks.

Delegate Hixson asked Mr. Lewis to give a brief legislative history of HB 34. Mr. Lewis explained that the bill passed the House but failed in the Senate.

Ms. Praisner asked Mr. Lewis to clarify the "hold harmless" section in the bill. Mr. Lewis said that last year several counties' State aid was actually decreasing and the "hold harmless" language was intended to prevent that for fiscal 2001. He was not certain if any counties might need a "hold harmless" provision.

Dr. Thorton asked Mr. Lewis about the most effective manner for the committee to express its support for the "bridge" funding concept. Mr. Lewis responded that a letter from Chairman Thorton for inclusion in the interim report would be sufficient.

Ms. Perkins stated that a reasonable, perhaps itemized, rationale for the "bridge" funding from school systems would be helpful to understanding their funding needs.

Ms. Moyer made a motion that the Commission generally support the concept of "bridge" funding. Ms. Gordon seconded the motion. The motion was unanimously approved by the Commission.

Dr. Thorton outlined the scope of the interim report to include: (1) a brief review of the Commission's charge; (2) an overview of the first two meetings; (3) any findings and recommendations; (4) a general overview of the work plan for the 2000 interim and; (5) appendices, which will include minutes and materials from the first two meetings and the proposed work plan for the 2000 interim.

Dr. Troxler suggested that the work plan include an additional charge relating to the impact of technology on funding.

Ms. Praisner asked whether the work plan should incorporate an additional charge relating whether educational formulas are adequate and do they respond appropriately to the issue of equity.

Mr. Sondheim cautioned the Commissioners from including too many specific charges at such an early time as it may be presumptuous to pre-determine topics of action without the requisite discourse and investigation.

Senator Middleton and Delegate Hixson engaged in a discussion regarding the presentation of attendance in the interim report. Both agreed that attendance will be evident in the meeting minutes to be included in the report's appendices.

Ms. Praisner noted that the 1:00 p.m. meeting time was not convenient for her and several others with several midday meetings. Dr. Thorton asked staff to solicit input from members on the most convenient meeting times.

Dr. Thorton discussed a \$200,000 budget request to be submitted to the Governor for approval to cover the cost of obtaining national experts on the adequacy issue, report production, and other Commission expenses. Dr. Thorton also expressed his interest in public meetings during the months of June and September 2000. Dr. Thorton also welcomed input regarding the possibility of inviting and hiring education experts and consultants to assist the Commission.

Ms. Betsy Moyer requested a list of potential experts on adequacy and also requested a brief synopsis of their background.

Ms. Gordon inquired as to the possibility of meetings while the General Assembly is in session and that all meeting material be mailed to the members in advance.

Dr. Thorton concluded that the Commission will meet as needed and that every attempt will be made by staff to send materials in advance to the members.

The meeting adjourned at approximately 3:48 p.m.

APPENDIX 1

Structure of School Finance in Maryland

Department of Legislative Services

Annapolis, Maryland

November 1999

Structure of School Finance in Maryland

Introduction

The State and county governments share responsibility for Maryland's public schools. Statewide educational policy determination is the responsibility of the State Board of Education with the State Superintendent of Schools and Maryland State Department of Education overseeing the implementation of policies and providing administrative support. The 23 local boards of education and the New Baltimore City Board of School Commissioners, together with each local school superintendent, govern education matters and policy-making within the school district and oversee the daily operations of the local school systems.

This report focuses on school finance in Maryland. The first section briefly overviews the relative importance of federal, State, and local funding. The next section summarizes State education aid. In the third section there is a brief discussion of expenditures and those factors contributing to spending differences among school systems. In each section there is an examination of trends over a period of years to provide historical perspective. Finally, the first appendix provides a program by program description of many of Maryland's education aid programs, and the second appendix summarizes enhancements made by recent legislation.

Revenues

Public schools are funded from federal, State, and local sources as shown in **Exhibit 1**. In fiscal 1998, public schools received approximately \$5.7 billion in total funding, of which 54% came from local sources and 41.7% from the State. The federal government provided only 4% of public school funding, which illustrates the relatively small federal role in funding primary and secondary education. The relative shares of funding from each government entity varied little over the ten-year period, fiscal 1988 through 1998.

Education revenues grew more rapidly between fiscal 1988 and 1993, at about 7.2% per year, than in the period from fiscal 1993 to 1998, when average annual growth slowed to 5.1% (see **Exhibit 2**). On a per pupil basis, growth in education revenues declined from a 5.2% annual growth rate over fiscal 1988 to 1993 to a 2.9% annual growth rate since fiscal 1993. This diminished per pupil revenue growth in the 1990's reflects continued enrollment growth, recession-driven fiscal constraints in the early to mid 1990s, and slowing inflation. Federal, State, and local revenue growth all slowed between the two periods.

Exhibit 1
Education Revenues by Source
(Percent of Total)

<u>Category</u>	<u>Fiscal 1988</u>	<u>Fiscal 1993</u>	<u>Fiscal 1998</u>
Federal	3.9	4.4	4.3
State	40.9	41.9	41.7
Local	55.2	53.7	54.0

Source: Selected Financial Data, Maryland Public Schools, Part 1 - Revenues, selected years, Maryland State Department of Education

Exhibit 2
Education Revenue Trends

	<u>Fiscal 1988</u>	<u>Fiscal 1993</u>	<u>Average Annual Growth</u>	<u>Fiscal 1998</u>	<u>Average Annual Growth</u>
Total Revenues					
Amount (Millions)	\$3,129.1	\$4,440.0	7.2%	\$5,689.3	5.1%
Per Pupil	4,794	6,173	5.2%	7,135	2.9%
Federal Revenue					
Amount (Millions)	123.2	194.2	9.5%	242.2	4.5%
Per Pupil	189	270	7.4%	304	2.4%
State Revenue					
Amount (Millions)	1,279.2	1,862.4	7.8%	2,373.8	5.0%
Per Pupil	1,960	2,589	5.7%	2,977	2.8%
Local Revenue					
Amount (Millions)	1,726.7	2,383.5	6.7%	3,073.4	5.2%
Per Pupil	2,645	3,314	4.6%	3,855	3.1%

Note: Amounts do not include revenues for debt service, school construction, or food services.

Source: Selected Financial Data, Maryland Public Schools, Part 1 - Revenues, selected years, Maryland State Department for Education. Per pupil amounts calculated using total enrollment adjusted for half-day kindergarten and prekindergarten programs.

Structure of School Finance in Maryland

Although State and federal aid accounts for about 46.0% of total funding for Maryland's public schools, the reliance on that aid varies across the State (see Exhibit 3). For example, in fiscal 1998, 22.8% of Worcester County's revenues were from State and federal sources, the smallest share in the State. On the other hand, Baltimore City received 72.7% of its revenues from non-local sources, the largest intergovernmental share. Much of this variance derives from State and federal efforts to target aid to "low wealth" jurisdictions or to school systems with high proportions of students with special needs.

State Aid

Education aid totaling \$2.7 billion accounts for over 30% of State general fund expenditures in fiscal 2000. The aid includes \$2.2 billion in direct aid and \$395 million in teachers' retirement payments on behalf of the local school systems as well as \$94 million in debt service payments related to school construction. During the last ten years public education has been a State budget priority. Over this period State education aid increases have averaged 5.4% per year compared to an average annual general fund expenditure increase of 3.6%.

Four Policy Goals Have Guided Funding

Over the past 25 years a number of legislative and executive committees and task forces have reviewed primary and secondary education funding. Many of the recommendations of these study groups have been enacted by the General Assembly. Throughout this period several policy goals have guided State funding of public schools. Among them are the following:

- all Maryland students should have the opportunity to receive a quality education;
- educational opportunities should not depend on a jurisdiction's relative ability to raise revenue from local sources;
- students with special needs may require the commitment of additional educational resources; and
- local school districts have the primary responsibility for the allocation of educational resources; however, certain educational needs, problems, or State policies may require the State to play a greater role.

Exhibit 3
Operating Revenues for Primary and Secondary Education
Fiscal 1998
(\$ in Thousands)

<u>County</u>	<u>Local</u> <u>Appropriation</u>	<u>Percent</u>	<u>Other</u> <u>Local</u>	<u>Percent</u>	<u>State</u>	<u>Percent</u>	<u>Federal</u>	<u>Percent</u>	<u>Total</u>
Allegany	\$21,580	30.9	\$1,834	2.6	\$41,462	59.3	\$5,014	7.2	\$69,889
Anne Arundel	274,678	57.9	5,362	1.1	179,696	37.8	14,818	3.1	474,348
Baltimore City	200,553	25.9	10,325	1.3	487,607	62.9	75,689	9.8	772,936
Baltimore	426,130	58.8	5,880	0.8	263,698	36.3	28,912	4.0	724,143
Calvert	50,204	55.1	897	1.0	37,031	40.6	2,989	3.3	91,084
Caroline	10,500	31.2	423	1.3	21,135	62.7	1,639	4.9	33,651
Carroll	82,337	50.2	1,238	0.8	76,325	46.5	4,096	2.5	163,962
Cecil	39,107	43.4	872	1.0	46,617	51.7	3,492	3.9	90,037
Charles	65,412	47.0	4,766	3.4	64,831	46.5	4,381	3.1	139,300
Dorchester	12,866	37.5	751	2.2	18,082	52.6	2,630	7.7	34,288
Frederick	107,305	50.8	2,398	1.1	95,904	45.4	5,716	2.7	211,245
Garrett	12,068	35.9	348	1.0	18,709	55.6	2,505	7.5	33,591
Harford	109,844	47.8	2,110	0.9	111,595	48.5	6,321	2.8	229,747
Howard	184,605	64.6	5,255	1.8	90,306	31.6	5,881	2.1	285,986
Kent	10,790	53.1	196	1.0	7,944	38.9	1,426	7.0	20,314
Montgomery	775,813	75.7	9,255	0.9	217,180	21.1	23,724	2.3	1,025,484
Prince George's	408,086	47.7	16,839	2.0	402,521	46.9	29,690	3.5	856,287
Queen Anne's	22,607	54.7	583	1.4	16,279	39.3	1,863	4.5	41,297
St. Mary's	40,060	44.2	688	0.8	45,224	49.9	4,635	5.1	90,555
Somerset	7,094	31.6	475	2.1	12,538	55.7	2,378	10.6	22,454
Talbot	19,162	70.1	423	1.5	6,505	23.7	1,274	4.7	27,344
Washington	51,661	42.8	657	0.5	62,728	51.9	5,697	4.7	120,653
Wicomico	31,788	37.7	1,730	2.1	46,221	54.7	4,718	5.6	84,371
Worcester	<u>35,395</u>	<u>76.4</u>	<u>414</u>	<u>0.9</u>	<u>7,872</u>	<u>16.9</u>	<u>2,717</u>	<u>5.9</u>	<u>46,356</u>
Statewide	\$2,999,644	52.7	\$73,719	1.3	\$2,378,116	41.7	\$242,204	4.3	\$5,689,324

Notes: 1) Amounts do not include revenues for school construction, debt service, and food service.

2) "Other local revenues" are revenues generated by the local school system from tuition, transportation, fees, investment, rentals, gifts, and other sources.
"Local appropriation" represents each county's appropriation to the school system.

Source: Selected Financial Data, Part 1-Revenues, published annually by the Maryland State Department of Education

Funding Changes in the Last 25 Years

Between fiscal 1974 and 2000 there have been numerous significant changes to Maryland's education funding programs. Through fiscal 1991 the changes generally involved increases in the major education aid programs or the addition of new programs. During the State's fiscal crisis in the early 1990's, most of the adjustments involved program restrictions or reductions. In subsequent years most enhancements have been through new categorical programs, particularly those aimed at helping populations at-risk of failing in school. In addition, accountability for public education spending has been a prevalent theme throughout the 1990s. Major changes to education funding over the previous 25 years are summarized below.

- **Basic Current Expense Formula.** After its enactment in fiscal 1974, the basic current expense formula was adjusted on approximately seven occasions through increases to the foundation amount. Adjustments were also made to the State's share of the foundation amount. (The most recent adjustments were made in 1987.) Currently, this program accounts for about 60% of all aid.
- **Special Education.** In 1977 a public special education formula and a nonpublic placement cost sharing policy were enacted, but relatively few funding changes have occurred since then. In fiscal 1988, the special education formula received its first infusion of new funds after being frozen at \$70 million in fiscal 1981. A handicapped student transportation grant was established the next year (fiscal 1989).
- **Compensatory Aid Formula.** The compensatory education program was established in fiscal 1980 and replaced with a "new" compensatory program in 1985 as part of the Civiletti Task Force recommendations to provide additional funds for schools with higher proportions of low income students.
- **Categorical Aid Programs.** Throughout the past 25 years many new categorical aid programs have been established. These include such programs as:
 - extended elementary education - 1980;
 - Prince George's County magnet school aid - 1987;
 - Maryland's tomorrow - 1989;
 - challenge grants - 1993;
 - limited English proficiency grants - 1994;
 - targeted poverty grants - 1995;
 - school reconstitution grants - 1996;
 - performance recognition awards, education modernization initiative, Baltimore County teacher mentoring, and aging school grants - 1997; and
 - additional poverty, targeted improvement, teacher development, and school library grants - 1998.

Many of these programs were also enhanced by the 1997 Baltimore City Schools legislation and/or the 1998 School Accountability for Funding Excellence legislation.

- **Accountability.** Since 1990 several initiatives have been implemented to promote greater spending accountability and to improve the educational performance of students, schools, and school systems. The Maryland School Performance Program provides the framework for outcome and performance-based accountability standards. Student test results on the MSPAP (taken in grades 3,5, and 8) and the Maryland Functional Test (high school), drop out rates, and student attendance serve as the basis for determining the performance of students, schools, and school systems.
- **Fiscal Crisis of the Early 1990s.** Due to the State's recession-driven fiscal crisis, between fiscal 1992 and 1994 the State reduced the growth in education aid by: 1) eliminating State payment of social security benefits for certain educational employees; 2) reducing pupil transportation grants; 3) altering the State/local cost sharing formula for nonpublic special education; 4) temporarily holding local school boards responsible for increases in fringe benefit costs associated with general salary increases for local educators; and 5) reducing the mandated increases in current expense and compensatory funding for fiscal 1994.
- **Baltimore City Schools Legislation (1997).** The fiscal 1998 budget included \$30 million for the Baltimore City Public Schools consistent with legislation passed by the 1997 General Assembly (Chapter 105, Acts of 1997) restructuring the management of the city's school system. The legislation stemmed from consent decrees settling several lawsuits involving the Baltimore City Public School System. The five-year funding commitment in the legislation increases to \$50 million annually from fiscal 1999 to 2002. The legislation also commits about \$31 million annually over five years to the other school systems through various programs. (For components of this legislation see **Appendix 2.**)
- **School Accountability Funding for Excellence (1998).** The School Accountability Funding for Excellence (SAFE) Program, which was established in 1998 as a result of the Counihan Task Force, provided additional targeted State funding for educational programs serving at-risk students. The Act, which provided an additional \$67.8 million in State funding to local school districts annually through fiscal 2002: (1) established a new targeted improvement grant, elementary school library grant, and teacher development program; (2) enhanced State funding for non- and limited-English proficiency programs, aging schools, and extended elementary programs; and (3) provided Prince George's County with additional funding for effective school programs, a pilot integrated student support services project, and teacher development initiatives. (For components of this legislation see **Appendix 2.**)

- **Class Size Reduction and Quality Teacher Incentives (1999).** In 1999, the General Assembly established the Learning Success Program to reduce class sizes to a maximum of 20 students for reading instruction in the first and second grades. It is estimated that \$40 million in additional State aid would enable the local boards of education to hire 1,000 teachers by fiscal 2005. In the same year, the Quality Teacher Incentive Act was enacted to address increased demand for public school teachers due to increases in enrollment and the number of retirement-eligible teachers.

Mandated Aid for Five Purposes Account for Most Education Aid

Currently, the State funds public schools through about 50 different programs. (See Exhibit 4 for a three-year summary of education aid by program.) Grants for six purposes -- current expenses, compensatory aid formula, teachers' retirement costs, student transportation costs, and special education programs (both the formula and non-public placements) -- account for most of the aid: \$2.36 billion or 90% of the estimated \$2.6 billion in fiscal 2000 aid for operating costs. In addition, the fiscal 2000 State budget includes \$94 million for debt service on State bonds that funded prior years' school construction projects.

Most education aid (\$2.5 billion and 94.5% in fiscal 2000) is mandated by statute. The Governor must include the funding for the mandated programs in the budget submitted to the General Assembly. Reductions to these programs by the General Assembly must result from the re-estimate of those factors determining the funding level or must be specifically authorized by statute. With the exception of \$11.3 million in special education funding, aid for the five purposes enumerated above is mandated by statute. Several smaller programs also have a statutorily mandated funding level.

In addition, the 1997 Baltimore City school legislation includes a multi-year aid commitment of \$61.6 million for fiscal 1998 and \$81.6 million for fiscal 1999 through 2002. Failure to appropriate any of this aid in any of the years abrogates the statute and the city school management reforms. This funding commitment accounts for another 3.2% of education aid in fiscal 2000.

The remaining education aid, 2.3%, is discretionary. For these programs, funding levels are at the Governor's discretion. The programs may have been established by statute, but the statute does not require a certain level of funding. Excluding the aid associated with the Baltimore City schools legislation, there has been little change since fiscal 1991 in the percentage of education aid that is discretionary.

Exhibit 4
State Aid for Primary and Secondary Education
Fiscal 1998 - 2000
(\$ in Thousands)

<u>Program</u>	<u>FY 1998</u>	<u>% of Total</u>	<u>FY 1999</u>	<u>% of Total</u>	<u>FY 2000</u>	<u>% of Total</u>
Current Expense Aid	1,451,507	61.2%	1,518,740	59.8%	1,567,653	60.1%
Compensatory Aid	80,910	3.4%	101,683	4.0%	119,887	4.6%
Retirement	445,018	18.8%	415,665	16.4%	394,863	15.1%
Transportation Aid - Formula	102,572	4.3%	107,458	4.2%	112,277	4.3%
Transportation Aid - Special Education	4,012	0.2%	4,793	0.2%	5,249	0.2%
Special Education - Formula - Public	81,253	3.4%	81,253	3.2%	81,253	3.1%
Special Education - Nonpublic	61,183	2.6%	69,942	2.8%	76,807	2.9%
Magnet Schools	14,100	0.6%	14,100	0.6%	14,100	0.5%
Challenge Grants	7,639	0.3%	5,639	0.2%	5,789	0.2%
Adult Education	754	0.0%	754	0.0%	754	0.0%
Targeted Poverty Grants	8,000	0.3%	8,000	0.3%	8,000	0.3%
Additional Poverty Grants	18,163	0.8%	18,163	0.7%	18,163	0.7%
Targeted Improvement Grants	0	0.0%	20,646	0.8%	21,400	0.8%
Teacher Development Grants/Mentoring	2,900	0.1%	18,388	0.7%	20,516	0.8%
Extended Elementary	14,897	0.6%	19,263	0.8%	19,263	0.7%
Food Service Aid	4,337	0.2%	4,337	0.2%	4,337	0.2%
Gifted and Talented Program	4,435	0.2%	4,935	0.2%	4,935	0.2%
Limited English Proficiency Grant	7,802	0.3%	23,551	0.9%	25,234	1.0%
Maryland's Tomorrow	9,997	0.4%	9,997	0.4%	9,997	0.4%
Out-of-County Foster Placement	3,550	0.1%	4,750	0.2%	5,600	0.2%
Aging Schools	4,350	0.2%	10,370	0.4%	10,370	0.4%
Baltimore City Partnership	32,950	1.4%	50,000	2.0%	50,000	1.9%
School Reconstitution	1,719	0.1%	9,797	0.4%	9,797	0.4%
Education Modernization Initiative	3,161	0.1%	5,375	0.2%	7,836	0.3%
School Library Media Incentive Program	0	0.0%	3,000	0.1%	3,000	0.1%
Class Size Reduction Initiative	0	0.0%	0	0.0%	1,367	0.1%
Other Programs	<u>7,544</u>	<u>0.3%</u>	<u>10,113</u>	<u>0.4%</u>	<u>10,563</u>	<u>0.4%</u>
Subtotal	2,372,753	100%	2,540,712	100%	2,609,010	100%
Debt Service	<u>82,457</u>		<u>79,258</u>		<u>94,076</u>	
Total	2,455,210		2,619,970		2,703,896	

Note: Aid amounts for fiscal 2000 are legislative appropriations.

Source: Department of Legislative Services, Annual Maryland State budgets

Exhibit 5 shows county-by-county aid distributions for the major aid programs. Exhibit 6 shows the aid on a per student basis. Appendix 1 summarizes Maryland's major education aid programs.

Exhibit 5
Estimated State Primary/Secondary Aid
Fiscal 2000
(\$ in Thousands)

Structure of School Finance in Maryland

<u>County</u>	<u>Current Expense Formula</u>	<u>Compensatory</u>	<u>Student Transportation</u>	<u>Special Education</u>	<u>Teacher Retirement</u>	<u>Other Programs</u>	<u>Total</u>
Allegany	27,430	3,010	2,564	1,462	4,768	2,812	42,046
Anne Arundel	118,579	3,995	11,028	12,378	34,646	7,369	187,995
Baltimore City	284,567	66,681	10,165	53,163	47,059	85,291	546,927
Baltimore	169,381	7,103	13,500	14,133	51,544	26,093	281,755
Calvert	29,901	687	2,029	940	6,582	1,428	41,568
Caroline	15,139	1,002	1,308	499	2,483	1,790	22,222
Carroll	60,485	1,116	4,287	2,965	11,130	1,998	81,980
Cecil	35,864	1,594	2,406	1,686	6,580	2,619	50,749
Charles	48,117	1,631	4,544	3,363	9,616	3,136	70,408
Dorchester	11,708	1,121	1,291	457	2,371	1,571	18,519
Frederick	74,947	1,796	4,319	3,431	14,640	3,102	102,236
Garrett	11,966	1,126	1,649	536	2,399	1,492	19,169
Harford	85,015	2,512	5,606	4,512	16,336	4,115	118,096
Howard	65,261	1,033	5,388	3,925	20,799	3,476	99,882
Kent	4,698	235	866	353	1,441	952	8,546
Montgomery	101,271	4,317	13,662	14,274	73,459	25,160	232,143
Prince George's	287,398	12,243	19,345	30,187	57,565	50,140	456,878
Queen Anne's	11,912	418	1,491	674	2,879	1,071	18,445
St. Mary's	31,968	1,640	2,946	2,126	6,536	2,392	47,608
Somerset	7,760	984	1,005	352	1,556	1,661	13,318
Talbot	2,713	260	829	268	1,955	1,076	7,101
Washington	44,753	2,464	3,305	2,637	8,617	3,093	64,869
Wicomico	33,497	2,487	2,497	1,053	6,479	3,145	49,157
Worcester	3,322	429	1,495	329	3,423	1,255	10,252
Unallocated	0	0	0	2,359	0	14,783	17,142
Statewide	1,567,653	119,887	117,525	158,061	394,863	251,021	2,609,010

- Note: 1) Other aid includes amounts distributed under the magnet schools, adult education, county debt service, and food service. Maryland's Tomorrow, extended elementary, out-of-county placement, limited English proficient, targeted poverty grant, and gifted and talented programs.
 2) With the exception of retirement programs, the amounts reflect aid distributed to the local boards of education. Retirement amounts are allocated on the basis of salaries.
 3) Debt service on State bonds issued for school construction is not included.

Source: Department of Legislative Services, April 12, 1999

Exhibit 6

Estimated State Primary/Secondary Aid -- Per Full-Time Equivalent Student
Fiscal 2000

<u>County</u>	<u>Current Expense Formula</u>	<u>Compensatory</u>	<u>Student Transportation</u>	<u>Special Education</u>	<u>Teacher Retirement</u>	<u>Other Programs</u>	<u>Total</u>
Allegany	2,676	294	250	143	465	274	4,102
Anne Arundel	1,664	56	155	174	486	103	2,637
Baltimore City	2,963	694	106	554	490	888	5,695
Baltimore	1,693	71	135	141	515	261	2,817
Calvert	2,021	46	137	64	445	97	2,810
Caroline	2,825	187	244	93	463	334	4,146
Carroll	2,293	42	163	112	422	76	3,108
Cecil	2,444	109	164	115	448	178	3,458
Charles	2,282	77	216	159	456	149	3,339
Dorchester	2,499	239	276	98	506	335	3,953
Frederick	2,193	53	126	100	428	91	2,991
Garrett	2,443	230	337	109	490	305	3,914
Harford	2,276	67	150	121	437	110	3,161
Howard	1,578	25	130	95	503	84	2,416
Kent	1,761	88	325	132	540	357	3,203
Montgomery	822	35	111	116	596	204	1,884
Prince George's	2,325	99	157	244	466	406	3,696
Queen Anne's	1,858	65	233	105	449	167	2,877
St. Mary's	2,298	118	212	153	470	172	3,422
Somerset	2,747	348	356	125	551	588	4,715
Talbot	643	62	196	64	463	255	1,683
Washington	2,349	129	173	138	452	162	3,404
Wicomico	2,535	188	189	80	490	238	3,720
Worcester	504	65	227	50	519	190	1,555
Statewide	1,964	150	147	195	495	296	3,248

Note: 1) Other aid includes amounts distributed under the magnet schools, adult education, county debt service, and food service. Maryland's Tomorrow, extended elementary, out-of-county placement, limited English proficient, targeted poverty grant, and gifted and talented programs.

2) With the exception of retirement programs, the amounts reflect aid distributed to the local boards of education. The retirement amounts are allocated on the basis of salaries.

3) Debt service on state bonds issued for school construction are not included in this table.

4) Based on estimated FTE.

Source: Department of Legislative Services

Maryland Uses Several Approaches to Distribute Education Aid

Consistent with the four policy goals guiding State funding, it is possible to categorize education aid by method of distribution. Five distributional approaches have been developed to classify the aid: workload measures; combination wealth/workload measures; actual costs; prior year's aid; and other approaches. **Exhibit 7** summarizes the classification of aid by distribution method. The exhibit is followed by a description of each category. As the exhibit shows, two approaches account for 84% of Maryland's education aid: almost two thirds of the aid incorporates measures of local wealth and nearly a fifth directly relates to actual educational costs.

Exhibit 7
State Aid By Basis For Distribution
(\$ in Millions)

	<u>Approp.</u> <u>FY 2000</u>	<u>% of</u> <u>Total</u>
Workload	96.2	3.7
Wealth/Workload	1,720.3	65.9
Actual Costs	471.7	18.1
Prior Years' Aid	182.3	7.0
Other	137.9	5.3
Total	\$2,609	100.0

Workload: Includes programs which distribute aid using indicators of "need" or workload measures. Examples include targeted poverty grants and additional poverty grants (number of students eligible for free or reduced priced school lunches); limited English proficiency grants (number of limited English proficient students); food service aid; transportation for special education students. These programs reflect the policy goal that students with special needs may require the commitment of additional resources.

Wealth/Workload: Several programs utilize a workload measure such as enrollment and distribute aid inverse to local wealth: less wealthy jurisdictions receive relatively more aid. Wealth is usually defined as some combination of property assessable base and net taxable income. Programs utilizing wealth and workload measures include the current expense, compensatory, special education aid, and targeted improvement formulas. These programs address the policy goal that educational opportunities should not depend on the relative ability of local jurisdictions to raise revenues from local sources.

Actual Costs: The State pays all or a portion of the actual costs associated with certain educational services or programs. Examples include the State share of nonpublic special education costs and the State payment of employer retirement costs for local teachers. Basing aid on actual costs assists all school systems with providing educational opportunities.

Prior Years' Aid: For certain programs aid received in one year is based on or equals the aid received in previous years. Examples include grants for school bus transportation (previous year's aid increased by the Consumer Price Index (CPI)) and special education aid (aid equals the amount received in fiscal 1981). Beginning with fiscal 1998, the transportation program also incorporates a workload measure (enrollment growth).

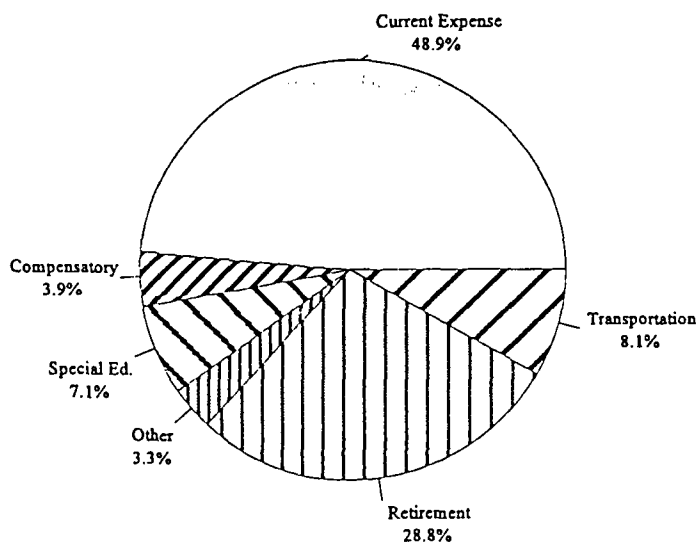
Other Methods: This category includes primarily those grants supporting a specific programmatic goal such as improving student performance. Examples are the extended elementary, Maryland's tomorrow, magnet school, and challenge grant programs and the Baltimore City partnership funding.

Aid Patterns Have Changed Since the Early 1990's

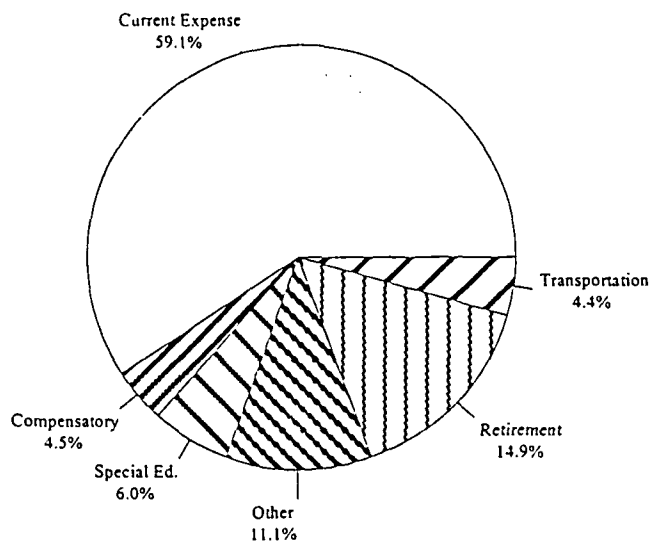
The changes in education aid beginning with fiscal 1992 have resulted in a significant shift in State aid patterns. As shown in Exhibit 8, two programs, current expense and compensatory aid, which distribute aid inverse to local wealth, have grown from 52.8% to 63.6% of the total over the ten year period from fiscal 1991 to 2000. Three factors account for this shift: 1) Beginning with implementation of the Civiletti Task Force recommendations in fiscal 1985 and the subsequent enhancements in funding in fiscal 1988, annual growth in current expense and compensatory aid has exceeded growth in the other programs; 2) Cost containment actions enacted in 1992 included a significant reduction in student transportation grants and the elimination of State funding of teachers social security costs; and 3) A declining retirement contribution rate driven primarily by retirement fund investment earnings has lead to lower teachers retirement payments by the State (a 12% decrease since fiscal 1997.) Between fiscal 1991 and 2000 the aid falling into the "other" category has also increased significantly, growing from 3.3% to 11.1% of aid. This reflects an increasing reliance on smaller categorical aid programs this decade, culminating with the Baltimore City school legislation enacted in 1997 and SAFE in 1998.

Exhibit 8
State Education Aid
Programmatic Distribution

FY 1991



FY 2000

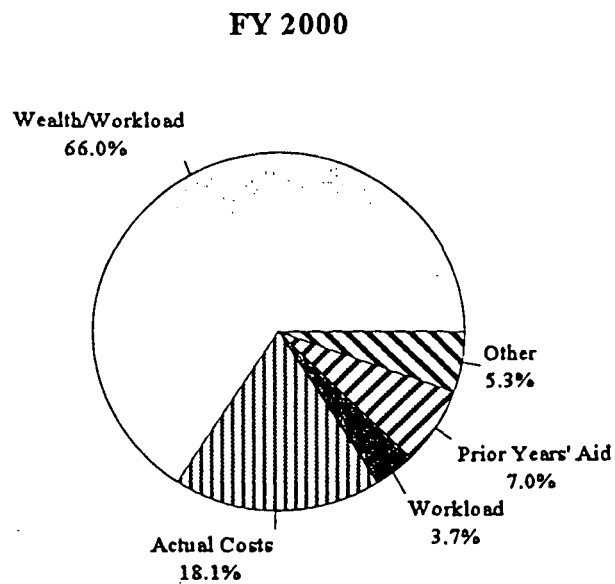
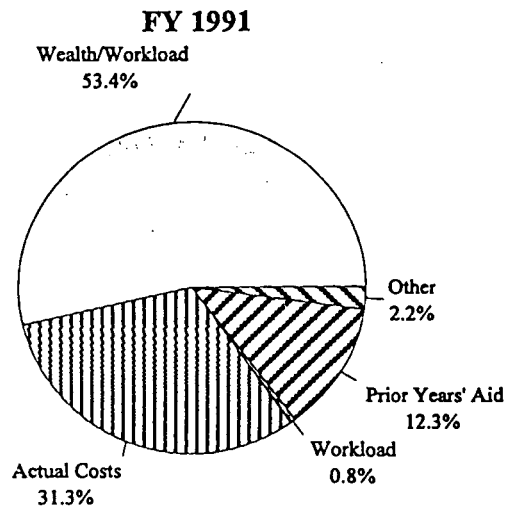


Source: Department of Legislative Services; Maryland State budgets

Comparing education aid categorized by distribution method over the same period reveals a similar pattern. (See Exhibit 9.) In fiscal 2000, 66% of education aid will be distributed using the wealth/workload combination approach. This compares to 53% in fiscal 1991. The proportionate decline in aid based on actual costs and prior years' allocations, reflects the elimination of State funded social security costs, lower retirement costs due to investment returns, and the reduction in school bus transportation grants. The slightly greater reliance on other approaches to distributing aid tracks the growth in categorical programs tied to specific educational needs, problems, or State policies.

As a result of the changes that occurred in the early 1990's, a greater share of Maryland's education aid addresses the policy goal that educational opportunities not depend on local fiscal capacity or the ability to raise education funds from local sources. There has also been a greater focus on school performance through State aid programs targeting funds to specific schools.

Exhibit 9
State Education Aid
Distribution Factors



Source: Department of Legislative Services; Maryland State budgets

Expenditures

Primary and secondary education operating and capital expenditures totaled \$6.4 billion in fiscal 1998. This spending for the public schools accounted for nearly 50% of local government expenditures in fiscal 1998. Instructional outlays are the single largest component of operating expenditures followed by special education expenditures. (See **Exhibit 10** for an expenditure summary and **Exhibit 11** for expenditures on a county-by-county basis.)

Exhibit 10 Education Expenditures Fiscal 1998

<u>Expenditure Category</u>	<u>Amount (\$ in Millions)</u>	<u>Percent of Operating Expenses</u>
Instruction	\$2,900.8	51.1%
Special Education*	775.9	13.7%
Administration	149.9	2.6%
Mid-level Administration	439.9	7.7%
Plant Operation/Maintenance	580.2	10.2%
Transportation	298.9	5.3%
Other	88.8	1.6%
State Paid Retirement	445.0	7.8%
Total Operating Expenses	\$5,679.4	100.0%
Food Services	185.4	
School Construction	471.0	
Interest on Debt	75.7	
Total Disbursements	\$6,411.4	

(1) Fringe benefit costs, other than State paid teachers' retirement for which an allocation is not available, are apportioned to the other expenditure categories.

*Includes public and non-public special education.

Source: Selected Financial Data, Maryland State Department of Education

Exhibit 11
Expenditures for Primary and Secondary Education
Operating Costs by Function
Fiscal 1998

<u>County</u>	<u>Instruction</u>	<u>Special Education</u>	<u>Administration*</u>	<u>Plant Operation/Maintenance</u>	<u>State Paid Retirement</u>	<u>Student Transportation</u>	<u>Other</u>	<u>Total</u>
Allegany	\$38,237,638	\$7,911,054	\$5,954,555	\$7,692,809	\$5,609,336	\$3,441,556	\$1,573,623	\$70,420,571
Anne Arundel	245,037,952	56,558,519	53,599,179	50,488,603	39,613,996	25,618,758	4,930,747	475,847,754
Baltimore City	337,404,074	182,679,110	81,220,687	74,882,029	54,558,660	27,683,240	7,641,711	766,069,551
Baltimore	375,650,789	95,674,224	79,125,186	75,229,415	56,832,668	30,384,769	15,398,355	728,295,406
Calvert	47,580,375	9,846,233	7,916,152	10,215,555	6,945,147	6,036,027	1,621,062	90,160,551
Caroline	17,989,039	3,019,657	3,930,968	2,651,152	2,733,900	2,249,272	1,176,632	33,750,620
Carroll	84,144,836	17,033,463	17,289,808	16,624,429	12,743,574	10,890,392	3,334,369	162,060,871
Cecil	47,180,265	10,371,694	10,354,639	8,828,234	7,367,196	4,631,579	1,178,442	89,912,049
Charles	64,973,319	14,799,857	16,781,466	17,133,415	10,728,838	8,112,024	4,479,326	137,008,245
Dorchester	18,578,193	3,261,645	3,885,582	3,093,275	2,620,709	1,931,892	644,684	34,015,980
Frederick	113,584,559	20,422,478	19,562,648	23,128,911	16,427,762	10,865,674	4,886,644	208,878,676
Garrett	18,237,978	3,031,864	3,025,504	3,152,202	2,785,654	2,478,782	801,079	33,513,063
Harford	124,776,754	24,622,232	19,652,165	23,238,733	18,183,477	14,571,302	3,058,776	228,103,439
Howard	148,460,446	31,693,623	31,304,241	29,269,315	23,233,493	13,751,119	6,415,603	284,627,840
Kent	12,534,885	2,044,052	2,453,112	1,986,314	1,599,656	1,159,297	222,412	21,999,728
Montgomery	558,926,072	129,957,366	101,205,035	96,685,914	82,942,843	51,953,717	5,146,746	1,026,817,693
Prince George's	412,237,991	118,915,568	85,962,126	93,949,837	64,740,823	60,029,516	17,525,251	853,361,112
Queen Anne's	22,020,094	4,416,814	4,122,643	3,842,022	3,211,150	2,988,448	689,993	41,291,164
St. Mary's	46,325,330	10,317,753	9,419,395	9,809,089	6,989,847	5,904,102	1,861,735	90,627,251
Somerset	12,082,051	1,885,556	2,751,233	2,111,714	1,830,798	1,624,348	1,042,778	23,328,478
Talbot	15,192,060	2,741,063	2,957,463	2,760,621	2,242,188	1,136,188	292,712	27,322,295
Washington	66,557,153	12,474,427	12,582,880	12,380,178	10,125,806	4,836,685	748,755	119,705,884
Wicomico	46,791,056	8,259,460	9,301,543	7,183,777	7,199,045	3,974,804	3,360,590	86,070,275
Worcester	26,304,796	3,913,056	4,969,508	3,882,023	3,751,121	2,629,718	759,462	46,209,684
Total	\$2,900,807,705	\$775,850,768	\$589,827,718	\$580,219,566	\$445,017,687	\$298,883,209	\$88,791,487	\$5,679,398,140

Note: Amounts do not include expenditures for debt service, construction, or food service.

* Includes mid-level administration.

Source: Selected Financial Data, Fiscal 1998, Maryland State Department of Education

Primary and secondary education expenditures per student increased between fiscal 1988 and 1998. As **Exhibit 12** shows, statewide expenditures per pupil grew 5.1% per year between fiscal 1988 and 1993 and slowed to 2.8% between 1993 and 1998.

In fiscal 1998, the difference in spending per pupil between Montgomery and Caroline, the highest and lowest spending counties, was 1.40 to 1. In other words, Montgomery County spent 40% more per pupil than Caroline County. This translates into a \$2,403 difference in per student spending. Spending disparities have declined in the 1990's. In fiscal 1993, the ratio between the highest and lowest spending school systems was 1.55 to one, slightly lower than the fiscal 1988 ratio of 1.67 to one. The significant decrease in disparity between 1988 and 1998 derives from three factors: 1) the greater share of education aid distributed inverse to local wealth; 2) the recent slowdown in local assessable base growth, especially in those jurisdictions with higher property wealth; and 3) generally higher enrollment growth among the wealthiest counties than among the least wealthy counties.

Spending disparities, however, continue to exist. Five factors account for most of the differences in spending per student:

1. Fiscal capacities - counties have different abilities to raise revenues from local sources.
2. Local effort - other priorities may compete for funding and taxpayer support for education may differ among Maryland's counties.
3. Cost differentials - the cost of providing an average mix of classroom resources (teachers and supplies) varies across school districts.
4. Special student populations - students with special needs cost more to educate and the proportion of special needs students varies among Maryland's school districts. (See **Exhibit 13**)
5. Intergovernmental aid - State and federal aid per student varies considerably among the local school systems.

Exhibit 12
Education Expenditures Per Pupil

<u>County</u>	<u>FY 1988</u>	<u>FY 1993</u>	<u>Average Annual Growth 88-93</u>	<u>FY 1998</u>	<u>Average Annual Growth 93-98</u>
Allegany	\$3,964	\$5,133	5.3%	\$6,385	4.5%
Anne Arundel	4,519	5,957	5.7%	6,618	2.1%
Baltimore City	4,049	5,627	6.8%	6,964	4.4%
Baltimore	5,265	6,279	3.6%	7,046	2.3%
Calvert	4,265	5,700	6.0%	6,334	2.1%
Caroline	3,760	4,918	5.5%	6,033	3.5%
Carroll	3,935	5,410	6.6%	6,206	2.8%
Cecil	3,923	5,131	5.5%	6,136	3.6%
Charles	4,052	5,709	7.1%	6,510	2.7%
Dorchester	4,280	5,477	5.1%	6,927	4.8%
Frederick	4,072	5,484	6.1%	6,243	2.6%
Garrett	3,899	5,289	6.3%	6,558	4.4%
Harford	3,940	5,300	6.1%	6,130	3.0%
Howard	5,247	6,656	4.9%	7,337	2.0%
Kent	4,893	6,207	4.9%	8,034	5.3%
Montgomery	6,267	7,629	4.0%	8,436	2.0%
Prince George's	4,847	5,904	4.0%	6,623	2.3%
Queen Anne's	4,521	5,903	5.5%	6,503	2.0%
St. Mary's	4,298	5,839	6.3%	6,471	2.1%
Somerset	3,997	5,245	5.6%	7,761	8.2%
Talbot	4,403	5,381	4.1%	6,312	3.2%
Washington	4,363	5,421	4.4%	6,174	2.6%
Wicomico	3,966	5,180	5.5%	6,369	4.2%
Worcester	5,124	6,165	3.8%	7,110	2.9%
Statewide	\$4,737	\$6,065	5.1%	\$6,945	2.3%

Note: Amounts do not include expenditures for debt service, construction, food service, and nonpublic special education placements. September 30th enrollment used to calculate per student amounts. Prekindergarten and kindergarten students counted as one-half time if in half-day programs.

Source: Selected Financial Data, Maryland Public Schools, Part II Expenditures, selected years; Department of Legislative Services

Exhibit 13
Selected Public School Data
1997-1998 School Year

	<u>Enrollment</u>	<u>Teachers</u>	<u>% Special Education Students</u>	<u>% Limited English Proficient Students</u>	<u>% Approved for Free/Reduced Price Meals</u>
Allegany	11,110	700	15.0	0.1	45.5
Anne Arundel	73,363	4,133	13.5	0.7	16.4
Baltimore City	107,416	5,994	16.4	0.5	67.9
Baltimore	104,708	6,574	12.0	1.3	27.3
Calvert	14,736	763	12.6	0.1	14.6
Caroline	5,635	323	13.9	1.2	41.7
Carroll	26,823	1,469	13.6	0.3	9.3
Cecil	15,327	959	14.7	0.3	21.6
Charles	21,620	1,222	12.4	0.4	21.9
Dorchester	5,175	317	13.1	0.8	47.7
Frederick	34,569	2,015	12.7	0.5	14.9
Garrett	5,105	353	14.4	0	44.5
Harford	38,572	2,193	12.9	0.5	17.6
Howard	40,215	2,582	9.9	2.3	10.6
Kent	2,903	179	12.0	0.9	38.1
Montgomery	125,023	7,545	11.8	6.4	22.4
Prince George's	128,347	7,243	9.4	3.7	41.3
Queen Anne's	6,607	367	13.0	0.3	17.8
St. Mary's	14,691	862	14.0	0.5	23.9
Somerset	3,162	207	12.7	1.1	54.5
Talbot	4,557	270	12.3	0.9	26.3
Washington	20,019	1,225	14.1	0.6	28.0
Wicomico	14,229	925	11.2	1.4	34.2
Worcester	6,832	439	11.5	0.8	34.0
Statewide	830,744	48,859	12.5	2.1	30.9

Source: Maryland State Department of Education, 1998 Maryland School Performance Report, Fact Book:
1997-1998

School Construction

In addition to the financing of operating expenditures for public education, both the State and local jurisdictions contribute to capital costs. The State began incentive aid for school construction in 1947. The Public School Construction Program, which was established in 1971, is administered by the Interagency Committee on Public School Construction (IAC). The current program provides State funding for eligible and justified public school construction projects approved by the Board of Public Works. The State share of construction costs for a county is based on the current expense formula. As shown in **Exhibit 14**, with two exceptions, there are seven levels of State sharing based on the average State shares of the minimum foundation from fiscal 1992 and 1994.

The Governor has pledged at least \$1 billion in State funding for public school construction during this four-year term, fiscal 2000 to 2003. As shown in **Exhibit 15**, the first installment, \$257.5 million in fiscal 2000, represents about 71% of the \$361 million requested by the 24 jurisdictions for that year.

Exhibit 14
Public School Construction
State/Local Cost Share Amounts

<u>50/50</u>	<u>55/45</u>	<u>60/40</u>	<u>65/35</u>	<u>70/30</u>	<u>75/25</u>	<u>80/20</u>
Anne Arundel	Calvert	Prince George's ¹	Carroll	Cecil	Allegany	Somerset
Baltimore County	Queen Anne's		Charles	Dorchester	Baltimore City ²	
Howard			Frederick	Garrett	Caroline	
Kent			Harford	St. Mary's		
Montgomery			Washington	Wicomico		
Talbot						
Worcester						

¹ For fiscal 1999 through 2002, Prince George's County's match will be 25% for the first \$35 million allocated by the State and 40% on any State funds in excess of \$35 million. At least \$20 million of the State funds must be spent each year on neighborhood school projects.

² For fiscal 1998 through 2002, Baltimore City's match will be 10% for the first \$10 million allocated by the State and 25% on any State funds in excess of \$10 million.

Exhibit 15
Fiscal 2000 Capital Improvement Program

<u>County</u>	<u>Request</u>	<u>Initial Allocation*</u>	<u>% of Request</u>	<u>Final Allocation+</u>	<u>% of Request</u>
Allegany	\$2,921,000	\$2,698,000	92.4%	\$2,921,000	100.0%
Anne Arundel	15,186,000	7,038,000	46.3%	13,183,000	86.8%
Baltimore City	25,637,000	20,659,000	80.6%	25,070,000	97.8%
Baltimore	36,902,000	17,787,000	48.2%	30,011,000	81.3%
Calvert	7,322,000	5,510,000	75.3%	7,304,000	99.8%
Caroline	600,000	488,000	81.3%	600,000	100.0%
Carroll	21,968,000	6,322,000	28.8%	8,332,000	37.9%
Cecil	6,143,000	5,143,000	83.7%	5,643,000	91.9%
Charles	10,367,000	6,913,000	66.7%	9,353,000	90.2%
Dorchester	891,000	732,000	82.2%	889,000	99.8%
Frederick	35,261,000	9,654,000	27.4%	11,020,000	31.3%
Garrett	176,000	176,000	100.0%	176,000	100.0%
Harford	11,657,000	7,346,000	63.0%	8,414,000	72.2%
Howard	41,591,000	9,857,000	23.7%	16,024,000	38.5%
Kent	336,000	336,000	100.0%	336,000	100.0%
Montgomery	57,453,000	31,787,000	55.3%	50,165,000	87.3%
Prince George's	39,517,000	28,706,000	72.6%	39,517,000	100.0%
Queen Anne's	8,659,000	6,178,000	71.3%	6,944,000	80.2%
St. Mary's	18,565,000	9,494,000	51.1%	10,348,000	55.7%
Somerset	160,000	160,000	100.0%	160,000	100.0%
Talbot	195,000	0	0.0%	85,000	43.6%
Washington	3,755,000	3,234,000	86.1%	3,560,000	94.8%
Wicomico	9,843,000	4,285,000	43.5%	4,285,000	43.5%
Worcester	6,879,000	3,160,000	45.9%	3,160,000	45.9%
Subtotal	\$361,984,000	\$187,663,000	51.8%	\$257,500,000	71.1%
Unallocated**		\$62,337,000		\$0	
Total	\$361,984,000	\$250,000,000	69.1%	\$257,500,000	71.1%

*The "Initial Allocation" is made prior to the upcoming legislative session.

+The "Final Allocation" reflects additional funding available through a supplemental budget and the contingency fund.

**The legislature's target of 75% of funds being allocated by the Board of Public Works prior to the start of the legislation session was met for the fiscal 2000 budget.

Appendix 1

Current Expense Formula (\$1,567.7 Million and 60.1% of FY 2000 Aid)

The current expense formula is Maryland's basic support program, distributing over \$1.56 billion to the local boards of education. It accounts for about 60.1% of the State's education aid in fiscal 2000. This formula has been a key component of Maryland's education funding since 1973. Legislation enacted by the 1987 General Assembly provides for automatic increases in current expense formula aid. The minimum funding level is based on prior years' actual spending. The \$48.9 million fiscal 2000 increase results from higher enrollment and prior years' spending growth.

- The formula guarantees a minimum funding level per pupil and requires the counties to provide a local match; all counties currently appropriate amounts considerably above the required local match. The pupil count used in the current expense formula is the full-time equivalent (FTE) school enrollment as of September 30 of the previous school year. Therefore, fiscal 2000 current expense aid is based on enrollment from September of 1998. The FTE count does not include prekindergarten students and, with the exception of Garrett County, includes one-half the number of students enrolled in kindergarten. The FTE computation includes evening high school students and excludes out-of-state students.
- The current expense formula is a "minimum foundation" formula. Under a minimum foundation approach, local school systems are guaranteed a minimum funding level per pupil. In fiscal 2000, the minimum foundation is \$3,901 per pupil. The current expense formula determines the State and local shares of the foundation for each school system. Overall, the State share of the foundation in fiscal 2000 is \$1,982 per pupil or a little over 50% of the foundation.
- The formula recognizes the disparities in local abilities to raise revenues from local sources by providing less wealthy counties relatively more aid than more wealthy counties -- the formula "equalizes" education spending (See **Exhibit 16**). Aid per student is distributed inverse to wealth per student. For example, in fiscal 2000, Worcester County, the "wealthiest" county will receive \$512 per pupil, whereas Baltimore City, the "least wealthy" county will receive \$2,899 per pupil. **Exhibit 17** graphically shows the relationship between wealth per student and aid per student under the formula. For purposes of the formula, wealth includes the two major local tax bases -- net taxable income and assessable base. The counties are required to fund the difference between the minimum foundation and the State share of the foundation.

Exhibit 16
Basic Current Expense Formula Aid - FY 2000

Foundation: \$3,901
Local Contribution Rate: 0.0075438

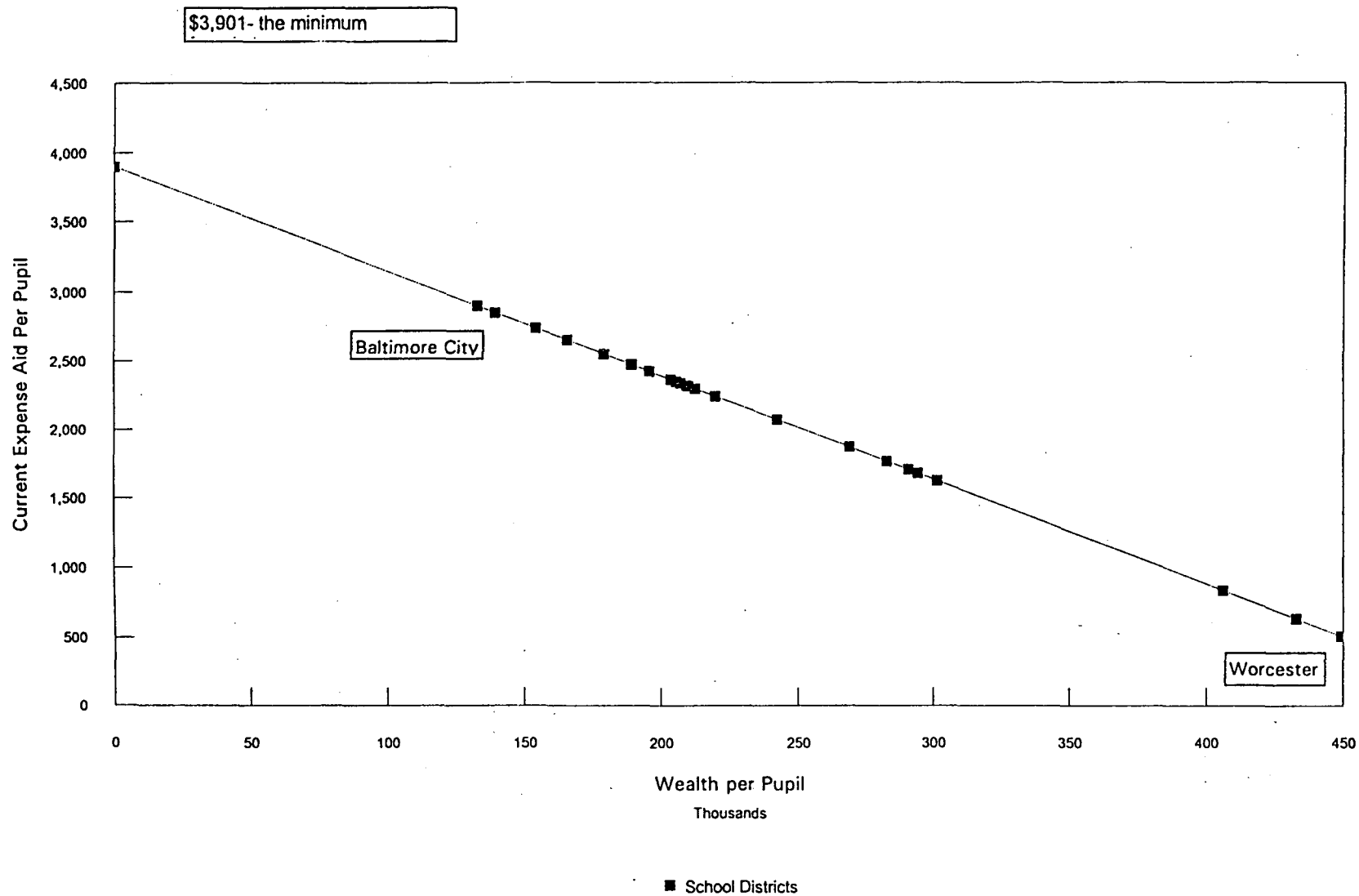
<u>County</u>	<u>FTE Enrollment 9/30/98</u>	<u>Basic Program \$3,901 Times Enrollment</u>	<u>Wealth Base</u>	<u>Local Share \$3,901 Program</u>	<u>State Share \$3,901 Program</u>	<u>Per Pupil State Aid*</u>	<u>State Aid Prior Year \$3,829 Program</u>	<u>Difference Over Prior Year</u>	<u>Per Pupil Difference</u>
Allegany	10,345.00	40,355,845	1,713,380,273	12,925,398	27,430,447	2,652	27,974,521	(544,074)	-19
Anne Arundel	70,544.50	275,194,095	20,760,835,570	156,615,591	118,578,503	1,681	115,369,005	3,209,498	29
Baltimore City	98,160.00	382,922,160	13,037,927,416	98,355,517	284,566,643	2,899	281,062,871	3,503,773	59
Baltimore	99,240.25	387,136,215	28,865,435,264	217,755,071	169,381,145	1,707	166,030,054	3,351,090	11
Calvert	14,427.75	56,282,653	3,497,080,284	26,381,274	29,901,379	2,072	27,882,031	2,019,347	78
Caroline	5,311.50	20,720,162	739,836,798	5,581,181	15,138,981	2,850	14,736,208	402,773	49
Carroll	26,070.75	101,701,996	5,463,746,383	41,217,410	60,484,586	2,320	58,356,667	2,127,919	43
Cecil	14,512.00	56,611,312	2,750,244,322	20,747,293	35,864,019	2,471	34,821,482	1,042,537	40
Charles	20,947.00	81,714,247	4,453,564,298	33,596,798	48,117,449	2,297	45,245,734	2,871,715	76
Dorchester	4,732.75	18,462,458	895,411,413	6,754,805	11,707,653	2,474	11,627,469	80,184	40
Frederick	33,432.75	130,421,158	7,353,577,300	55,473,916	74,947,241	2,242	72,256,564	2,690,678	36
Garrett	4,937.25	19,260,212	966,854,036	7,293,753	11,966,459	2,424	12,003,358	(36,899)	17
Harford	36,706.00	143,190,106	7,711,606,618	58,174,818	85,015,288	2,316	83,140,741	1,874,547	24
Howard	40,107.00	156,457,407	12,088,886,526	91,196,142	65,261,265	1,627	60,811,876	4,449,389	48
Kent	2,658.50	10,370,809	752,010,490	5,673,017	4,697,792	1,767	4,582,069	115,722	40
Montgomery	120,893.75	471,606,519	49,091,421,359	370,335,864	101,270,654	838	94,839,105	6,431,549	34
Prince George's	122,344.00	477,263,944	25,168,475,930	189,865,949	287,397,995	2,349	274,355,805	13,042,190	72
Queen Anne's	6,362.75	24,821,088	1,711,175,767	12,908,768	11,912,320	1,872	11,029,379	882,941	72
St. Mary's	13,672.75	53,337,398	2,832,759,115	21,369,768	31,967,630	2,338	31,824,302	143,327	0
Somerset	2,834.00	11,055,434	436,774,270	3,294,938	7,760,496	2,738	7,779,684	(19,187)	35
Talbot	4,268.50	16,651,419	1,847,658,729	13,938,368	2,713,051	636	2,821,034	(107,983)	-26
Washington	18,930.50	73,847,881	3,856,856,551	29,095,354	44,752,526	2,364	44,153,225	599,301	28
Wicomico	13,139.00	51,255,239	2,353,957,283	17,757,783	33,497,456	2,549	32,992,795	504,661	38
Worcester	6,486.50	25,303,837	2,913,912,566	21,981,974	3,321,863	512	3,044,265	277,598	37
Total	791,064.75	\$3,085,943,590	201,263,388,561	1,518,290,751	1,567,652,839	1,982	1,518,740,243	48,912,596	36

Prepared by the Department of Legislative Services

Note: Per pupil State aid is inversely related to wealth per pupil.

*Here per pupil aid is calculated based on FTE enrollment as of 9/30/98.

Exhibit 17
Current Expense Aid Formula
Aid Per Pupil vs. Wealth Per Pupil



Compensatory Aid Formula (\$119.9 Million and 4.6 % of FY 2000 Aid)

The compensatory aid formula distributes aid to local school boards based on the number of students from economically disadvantaged environments (as measured by the student counts used for federal Title I aid). Increases in compensatory aid are tied to increases in the current expense formula. In fiscal 2000, compensatory aid grows \$18.2 million or 18%.

- Compensatory aid is based on the student poverty counts used for the distribution of federal Title I aid. These Title I eligible counts are an indication of the number of students from economically disadvantaged environments.
- It recognizes local fiscal disparities by adjusting the grants per Title I student by local wealth: the less wealthy counties receive relatively more aid per Title I student.
- The overall funding level rises with growth in the per pupil minimum foundation under the current expense formula. Before adjusting for local wealth, a county's grant per Title I student equals 25% of the minimum foundation.
- About 25% of the aid must be used for programs for students from economically or educationally deprived environments.

Teachers' Retirement (\$394.9 Million and 15.1% of FY 2000 Aid)

The State pays 100% of the employers' share of retirement costs for school system employees who are members of the Teachers' Retirement and Pension Systems maintained and operated by the State. In fiscal 2000, the State share is \$394.9 million, which comprises 15.1% of education aid. The \$20.8 million decrease in fiscal 2000 results from a decrease in the calculated contribution rate from 13.99% to 12.54%.

- Rather than distributing the aid to the school boards and billing them for the retirement contributions, the State appropriates a lump sum payment to the retirement system "on behalf of" the local school boards. The appropriation is based on an estimate of the prior year's salary base. Local school systems are required to pay the retirement costs associated with employees funded under federal programs. The county-by-county aid amounts shown in **Exhibit 5** are estimates based on each school board's share of the total salary base.
- Variations in the estimates of each county's aid per student reflect differences in salary levels and staffing ratios among the counties.

Special Education Grants (\$158.1 Million and 6.0% of FY 2000 Aid)

State aid for special education recognizes the additional costs associated with providing programs for students with disabilities. Most special education students receive services in the public schools; however, if an appropriate program is not available in the public schools students may be placed in a private school offering more specialized services. The fiscal 2000 funding for special education includes \$81.3 million based on the county-by-county formula and \$76.8 million for non-public placements. In addition, a deficiency appropriation will likely be required.

- \$11.3 million of the \$81.3 million for special education programs in the public schools is based on the number of special education students in each jurisdiction adjusted by county wealth. This portion of the grant is not mandated by statute. The Governor has provided funding on this basis in the State budget since fiscal 1988. Each county's share of the remaining \$70 million equals what the county received under the original formula in fiscal 1981. The old formula based aid on total enrollment and a 1976 special education cost index.
- For special education students placed in non-public day and residential programs, the counties are responsible for the local share of the basic costs of educating a child plus 200% of total basic costs. Any costs above the base amount are shared between the State and the local school boards on a 80% State/20% local basis. State costs for non-public placements have more than doubled from \$34.0 million in fiscal 1991 to \$76.8 million in fiscal 2000, not even including an anticipated fiscal 2000 deficiency of \$24.9 million.

Student Transportation Grants (\$117.5 Million and 4.5% of FY 2000 Aid)

The fiscal 2000 budget includes \$112.3 million for transportation. In addition, \$5.2 million is provided to partially cover the costs of transporting disabled students.

- Each county receives a grant for student transportation based on the county's grant in the previous year increased by the change in the Baltimore area consumer price index for private transportation. Increases cannot exceed 8% or be less than 3%. Legislation enacted by the 1992 General Assembly reduced the transportation grant from \$141.2 million to \$86.2 million. Subsequent increases have been from this lower base.
- As a result of legislation enacted in 1996, beginning with fiscal 1998 counties with enrollment increases receive additional funds.

- The formula grants for transporting disabled students recognize additional transportation costs. Each school board receives \$500 per special education student in excess of the number transported in fiscal year 1981.

Baltimore City Partnership (\$50.0 Million)

The fiscal 2000 budget includes \$50 million in funding for the Baltimore City Public Schools under the Baltimore City Partnership program. Legislation passed by the 1997 General Assembly (SB 795) restructured the management of the Baltimore City Public Schools contingent upon the inclusion of an additional \$30 million in the fiscal 1998 State budget for the city schools, which was appropriated. The legislation requires that the additional funding increase to \$50 million for fiscal 1999 through 2002. Failure to appropriate the funds in any year abrogates the legislation and the management restructuring of the city school system.

The appropriation of an additional \$31.6 million to the 23 other counties is also required by the law annually through fiscal 2002. **Appendix 2** summarizes the funding included in the Baltimore City school legislation and the SAFE legislation.

Poverty Grants (\$47.6 Million)

The following four grant programs are based in some way on free and reduced price meal (FRPM) counts.

- **Targeted Improvement Grants (TIG) (\$21.4 Million).** The TIG, established by the 1998 SAFE legislation, are distributed based on 85% of the number of children eligible for FRPM adjusted for county wealth per full-time equivalent student.
- **Targeted Poverty Grants (\$8 Million).** This statutory program distributes funds proportional to the number of FRPM student in each jurisdiction.
- **Additional Poverty Grants (\$1.6 Million).** These funds were first provided in the fiscal 1998 State budget to the six school systems, excluding Baltimore City, with FRPM counts greater than 40% of enrollment.
- **New Targeted Poverty Grants (\$16.6 Million).** This program, established under the Baltimore City school legislation, distributed funds to all school systems except Baltimore City, proportional to the number of FRPM students at that time, with no provision for updating each county's allocation based on changes in FRPM counts.

Limited English Proficiency Grants (\$25.2 Million)

Under this program, the State provides grants to support programs for non- and limited-English proficient students using a definition that is consistent with federal guidelines.

- For purposes of this program non- and limited-English proficient student means a student identified as such under the Maryland State Department of Education's Maryland School Performance reporting requirements. To be eligible for the grants, county school boards must have approved programs for providing instruction and services to limited English proficient students. School boards must annually report the actual expenditures of State funds on non- and limited English proficiency (LEP) programs.
- Beginning with fiscal 1996, the statute specifies that the local school boards receive \$500 for each LEP student. No student may be included in the LEP count for more than two years. As a result of the SAFE legislation in 1998, the grant was increased to \$1,350 per student and the two-year cap was removed.
- The additional funds under the 1997 Baltimore City schools legislation provide \$500 per student for those students identified as non- and limited-English proficient but not included in the count for formula funding in 1997, because the students had already been in the count for two years. In addition, a school system with the number of LEP students exceeding 5% of enrollment receives an additional \$250,000. Only Montgomery County qualifies for this additional grant.

Teacher Development/Teacher Mentoring (\$21.5 Million)

- **Effective Schools, Student Support Services, and Provisional/Teacher Development in Prince George's County (\$5.5 Million).** As part of the 1998 SAFE legislation, State funding was provided for specific programs in Prince George's County. This includes \$2 million for the effective schools program, \$1 million for a pilot integrated student support services project, and \$2.5 million for provisional teacher certification and teacher development initiatives.
- **Teacher Development Grants (\$6.1 Million).** \$5.6 million is provided to local school systems to enhance teacher development in dealing with at-risk students, with grants based on FRPM counts. In addition, \$500,000 is included to fund statewide provisional teacher certification and teacher development initiatives.

- **Baltimore and Prince George's Counties Mentoring Programs (\$9.9 Million).** These pilot programs are intended to improve student achievement by improving the quality of the teacher workforce and reduce the turnover rate of teachers.

Extended Elementary Education (\$19.3 Million)

The extended elementary education program supports public school prekindergarten for four-year old children who live in Title I eligible school attendance areas. The fiscal 2000 budget includes a total of \$19.3 million. The approximately 250 sites are funded at about \$65,000 each.

- The funding supports public school prekindergarten programs for four-year old children who may be at risk of failure. The program is based on the theory that early intervention: (1) increases students' opportunity to realize their educational potential; and (2) reduces future educational and societal costs.
- County boards of education submit proposals for sites to the State Department of Education, which then determines how many sites can be funded within the appropriation in the State budget. The department distributes the money to the counties based on the schools' Title I eligibility and general need. For the additional \$3.3 million committed under SB 795, each school system's share is specified in the legislation.
- The SAFE legislation provided an additional \$4.4 million for the program for 24 additional sites, increased funding for existing sites, and \$1 million to address other early intervention strategies.

Magnet Schools (\$14.1 Million)

Prince George's County will receive \$14.1 million in the fiscal 2000 State budget for the county's magnet school programs. Of this amount \$1.1 million is part of a five-year commitment of funding incorporated in the 1997 Baltimore City school legislation. Initiated in fiscal 1987, this aid supports the Prince George's County Public Schools Magnet School Program. The Magnet School Program was approved by the U.S. District Court to provide for desegregation of the Prince George's County Public Schools and to improve the quality of instruction for all county students.

Aging Schools (\$10.4 Million)

The fiscal 2000 State budget includes \$10.4 million to provide funds to local school systems for the improvements, repairs, and deferred maintenance of public school buildings exceeding 15 years of age. The Aging Schools Program is operated by the Public School Construction Program and covers repairs not eligible for other State school construction funding. Each school system's share of the total funding is generally consistent with the school system's share of school building square footage constructed prior to 1960. A five-year commitment of funding for this new program is incorporated in the 1997 Baltimore City school legislation as well as in the 1998 SAFE legislation. The legislation specifies each school system's share of the funding.

Maryland's Tomorrow (\$10.0 Million)

The Maryland's Tomorrow Program is designed to identify at-risk youth enrolled in public schools and provide them with individualized educational, training, and support services to prevent school dropouts. At-risk youth are defined as those who score below their grade level on the California Achievement Test in reading or math or who have been retained at least one grade. Funds for Maryland's Tomorrow are received directly by the local Private Industry Councils (PIC) based on an annual service proposal developed jointly by the local PIC and school board. The fiscal 2000 appropriation for the high school portion of Maryland's Tomorrow is \$8 million.

A related program, the Choice Middle School Program, provides dropout prevention services for middle school students. Starting with the 1994 school year, approximately 800 students have been receiving dropout prevention services through this program. Funds for the Choice Middle School Program are received by the University of Maryland Baltimore County, which operates the program. Funding totals about \$2 million in fiscal 2000.

Reconstitution Eligible Schools (\$9.8 Million)

Currently 97 schools are eligible for State takeover due to poor and declining performance. In addition to technical assistance, in fiscal 2000, Baltimore City's 83 schools received \$7.8 million, Prince George's County's 12 schools received \$1.6 million, and Anne Arundel and Somerset Counties received \$350,000 combined for one school each.

Education Modernization (\$7.8 Million)

The fiscal 2000 State budget includes \$7.8 million for the fourth year of this multi-year initiative. The initiative provides schools access to on-line computer resources and capacity for data, voice, and video equipment. The funds will be used for equipment purchases, software, and staff development. Another \$7.0 million is included under the school construction program to upgrade the wiring in 132 schools.

Challenge Grants (\$5.8 Million)

Chapter 210 of the Acts of 1992 provides for the distribution of "Challenge Grants" to low performing schools for the purpose of school improvement based on Schools for Success goals. The Maryland State Department of Education releases funds to these schools only after it approves certain aspects of each school's improvement plan.

Although there is specific legislative authorization for the program the funding level is at the discretion of the Governor and the General Assembly.

Gifted and Talented Programs (\$4.9 Million)

The fiscal 2000 State budget includes \$4.9 million to augment educational services for gifted and talented students.

- Since fiscal 1994, Baltimore City has received \$1.0 million for gifted and talented programs at five high schools in the city.
- Beginning with fiscal 1998, an additional \$2.0 million will be used to support gifted and talented programs in Montgomery County. The funds are committed for five years under the 1997 Baltimore City school legislation.
- The remaining \$1.9 million funds the Maryland Summer Centers for Gifted and Talented Students, the formula-based Governor's Local Education Agency Gifted and Talented Program Development Grants, and the competitively-awarded Governor's Local Education Agency Gifted and Talented Education Incentive Grants.

Appendix 2

Additional State Education Funding under Baltimore City Schools Legislation (SB 795) and
School Accountability Funding for Excellence (SAFE) Program (HB 1)

(in Thousands)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 98-02</u>
Baltimore City - State Partnership Grant - SB 795	\$30,000	\$50,000	\$50,000	\$50,000	\$50,000	\$230,000
Additional Poverty Grants - SB 795	16,563	16,563	16,563	16,563	16,563	82,817
Limited English Proficiency Grant						
SB 795	1,904	1,904	1,904	1,904	1,904	9,518
SAFE	0	15,327	16,500	17,800	19,000	68,627
Targeted Improvement Grant (SAFE)	0	20,646	21,400	21,450	22,299	85,795
Extended Elementary Education Program						
SB 795	3,290	3,290	3,290	3,290	3,290	16,450
SAFE	0	4,366	4,366	4,366	4,366	17,463
Teacher Development/Mentoring Grants						
Teacher Development Grant (SAFE)	0	5,488	5,616	5,784	5,900	22,788
Baltimore County Teacher Mentoring Grant (SB 795)	2,400	2,400	2,400	2,400	2,400	12,000
Baltimore County Teacher Development Grant (SAFE)	0	5,000	5,000	5,000	5,000	20,000
Prince George's County Teacher Development Grant (SAFE)	0	2,000	2,000	2,000	2,000	8,000
Statewide Teacher Certification/Development Initiatives (SAFE)	0	500	500	500	500	2,000
Aging Schools Program						
SB 795	4,350	4,350	4,350	4,350	4,350	21,750
SAFE	0	6,020	6,020	6,020	6,020	24,080
School Libraries Grant (SAFE)	0	3,000	3,000	3,000	3,000	12,000
Innovative Programs						
Montgomery County Gifted and Talented Grant - SB 795	2,000	2,000	2,000	2,000	2,000	10,000
Prince George's County Magnet Schools Grant - SB 795	1,100	1,100	1,100	1,100	1,100	5,500
Prince George's County Special Grants - SAFE	0	5,500	5,500	5,500	5,500	22,000
Total	\$61,607	\$149,454	\$151,509	\$153,026	\$155,191	\$670,787
City School Legislation (SB 795)	\$61,607	\$81,607	\$81,607	\$81,607	\$81,607	\$388,034
SAFE Legislation (SB 171/HB 1)	\$0	\$67,847	\$69,902	\$71,419	\$73,584	\$282,753

Prepared by the Department of Legislative Services, November 1999

APPENDIX 2

Education Funding Overview: A National Comparison

Department of Legislative Services

Annapolis, Maryland

November 1999

Education Funding Overview: A National Comparison

Introduction

Across the nation, states utilize several approaches to fund local school districts. This report will highlight the different ways state assistance is provided to local school districts and how the aid addresses certain educational objectives. In addition, the report will compare Maryland's approach to education funding to other states.

Education Funding Varies Across the Country

Throughout the nation, the responsibility of funding education programs is shared between state and local governments. In fiscal 1997, the most recent data available, the nation's 15,000 school districts raised \$274 billion to fund primary and secondary education programs. Nearly half of this revenue (49 percent) was provided by state governments, 44 percent by local governments, and 7 percent by the federal government. State support for education funding ranges from 7 percent in New Hampshire to 90 percent in Hawaii where the state government operates the local school district. In Maryland, the State share totals 40 percent, which is the 13th lowest share in the nation.

Maryland Ranks High on Education Funding

The commitment to fund public schools in Maryland is relatively strong. Total education funding in Maryland exceeds the national average, with the State ranking 12th in total per pupil funding in fiscal 1997 as shown in **Exhibit 1**. On a per pupil basis, total education funding in Maryland is approximately 6.5 percent higher than the national average and 21 percent higher than neighboring Virginia. Of the top 12 states, only four (Alaska, Delaware, Michigan, and Wisconsin) have a substantially higher State share of education funding than Maryland.

The smaller State share in Maryland is partly due to the State granting localities greater taxing authority which provides additional revenue sources that could be used to fund educational programs in addition to state assistance. If counties in Maryland did not have the authority to impose a local income tax, the amount of State support for education would probably be greater. In general, the State share of total education funding in Maryland is consistent with other high education spending states.

Exhibit 1

Sources of Funding in Top 12 Spending States - Fiscal 1997

<u>State</u>	<u>Local Share of Funding</u>	<u>Natl. Rank</u>	<u>State Share of Funding</u>	<u>Natl. Rank</u>	<u>Total Revenues Per Pupil</u>	<u>Natl. Rank</u>
New Jersey	57.0%	10th	39.3%	39th	\$11,027	1st
New York	55.0%	12th	39.1%	40th	\$10,580	2nd
Alaska	23.9%	50th	63.6%	11th	\$10,272	3rd
Connecticut	57.0%	10th	38.6%	42nd	\$9,686	4th
Pennsylvania	53.0%	16th	41.4%	35th	\$8,887	5th
Delaware	25.6%	44th	67.3%	4th	\$8,804	6th
Rhode Island	54.3%	15th	40.7%	37th	\$8,595	7th
Vermont	66.1%	3rd	28.9%	48th	\$8,490	8th
Michigan	25.6%	44th	67.8%	3rd	\$8,363	9th
Massachusetts	58.7%	6th	36.0%	45th	\$8,292	10th
Wisconsin	41.1%	28th	54.5%	20th	\$8,157	11th
Maryland	54.4%	14th	40.0%	38th	\$7,609	12th
National Avg.	44.5%		48.7%		\$7,141	

Large State Share Does Not Translate into Greater Education Spending

A larger state share of education spending does not necessarily translate into more state dollars being spent on education programs. For example, in the seven states with the lowest total funding for education, the state share of education funding is significantly higher than the national average. This is illustrated in **Exhibit 2**. Three of those states actually provide less aid per pupil than Maryland, which ranks much lower on state share of funding. Utah, for example, has a higher ranking in the percentage of education revenues provided by the state, but Maryland appropriates more state dollars

Education Funding Overview: A National Comparison

per pupil for education. This results from the lower amount of total resources devoted to education in Utah (\$4,779) compared to Maryland (\$7,609).

Exhibit 2

State Share of Funding In the Bottom 7 States - Fiscal 1997

<u>State</u>	<u>State Share of Funding</u>	<u>Natl. Rank</u>	<u>State Revenues Per Pupil</u>	<u>Natl. Rank</u>	<u>Total Revenues Per Pupil</u>	<u>Natl. Rank</u>
Alabama	64.8%	8th	\$3,540	20	\$5,462	45th
Arkansas	65.9%	6th	\$3,530	21	\$5,355	47th
Idaho	63.8%	10th	\$3,440	25	\$5,388	46th
Mississippi	57.7%	16th	\$2,930	35	\$5,073	50th
Oklahoma	62.5%	14th	\$3,240	29	\$5,189	48th
Tennessee	50.8%	25th	\$2,610	40	\$5,132	49th
Utah	62.8%	12th	\$3,000	33	\$4,779	51st
Maryland	40.0%	38th	\$3,040	32	\$7,609	12th
National Avg.	48.7%		\$3,480		\$7,141	

Many Factors Impact Education Spending

Student characteristics, cost differences, and local willingness to pay create variations in spending levels across the country. Differences in spending levels do not necessarily indicate the existence of inequities in educational services. School districts and states serving higher need pupils, such as disabled children, pupils from low income families, or students with limited English proficiency, typically need to spend more money per pupil to provide a comparable level of service. Per pupil disparities are compounded when higher cost pupils are concentrated in a few districts. Further, the costs for teacher salaries, supplies, and school construction vary across the country, which could explain the low spending levels for many southern and western states.

Teacher Salaries Relatively High in Maryland

Maryland had the 13th highest average teacher's salaries in the nation. When adjusted by a cost of living index used by the National Education Association, however, Maryland's ranking fell to 17th. Teacher salaries are higher in Maryland than all surrounding states, except for Delaware and Pennsylvania. When adjusted by the cost of living index, Pennsylvania had the nation's second highest teacher's salaries and Delaware had the ninth highest. Rankings for other neighboring states include: District of Columbia (35th), Virginia (23rd), and West Virginia (21st). **Exhibit 3** shows the average teacher's salaries for selected states.

Exhibit 3

Average Teacher's Salaries - Fiscal 1997

<u>State</u>	<u>Average Salary</u>	<u>Natl. Rank</u>	<u>Average Salary Adjusted for COL</u>	<u>Natl. Rank</u>
Delaware	\$41,436	12th	\$40,773	9th
District of Columbia	\$45,012	7th	\$34,774	35th
New Jersey	\$49,349	3rd	\$43,025	5th
New York	\$48,000	5th	\$43,736	3rd
North Carolina	\$31,286	43rd	\$34,066	39th
Pennsylvania	\$47,147	6th	\$47,136	2nd
Virginia	\$35,837	25th	\$37,172	23rd
West Virginia	\$33,257	34th	\$37,525	21st
Maryland	\$41,148	13th	\$38,739	17th
National Avg.	\$38,611		\$38,436	

Source: National Education Association

School Districts Contrast Dramatically in Terms of Number and Size

The number and relative size of school districts impact both fiscal disparities and the cost of educating students. The number of school districts within states ranges from 1,044 in Texas to one in Hawaii. Maryland, with 24 school districts, has the fourth fewest school districts in the country, exceeding only Delaware (19), Nevada (17), and Hawaii (1). The small number of school districts in Maryland results in some of the nation's largest school districts. For example, over one-third of the school districts in Maryland have enrollment over 25,000, compared to one percent nationally. Further, all of Maryland's school districts are within the top 25th percentile for school district size. Therefore, while Caroline County with 5,700 students is one of the smallest school districts in the state, it is larger than over 85 percent of the school districts in the country.

Five of the nation's 50 largest public school districts are located in Maryland: Prince George's County (18), Montgomery County (19), Baltimore City (20), Baltimore County (23), and Anne Arundel County (44). The New York City school district with over 1 million students is the nation's largest and the Los Angeles unified school district with over 600,000 students is the nation's second largest.

Spending Disparities Lower in Maryland

The small number of school districts in Maryland helps to reduce fiscal disparities. In fiscal 1998, the difference in per pupil spending in Montgomery and Caroline, the highest and lowest spending counties, was 1.40 to 1. This means that Montgomery County spent 40 percent more per pupil than Caroline County, translating into a \$2,403 difference in per pupil spending. Furthermore, per pupil spending for 21 of the State's 24 school districts was within 12 percent of the statewide average. Two school districts (Montgomery and Kent), encompassing 15 percent of the state's students, had spending above 12 percent and one district (Caroline), encompassing less than one percent of the state's students, had spending below 12 percent.

States with a high number of school districts tend to have greater fiscal disparities. For example, in Virginia, which has 133 school districts, the spending disparities are much greater than in Maryland. In fiscal 1998, the difference in per pupil spending in Falls Church (highest spending district) and Bedford County (lowest spending district) was 2.34 to 1. This means that Falls Church spent 134 percent more per pupil than Bedford County, translating into a \$6,160 difference in per pupil spending. In addition, 15 school districts, encompassing 20 percent of the state's students, had spending above 12 percent of the statewide average and 36 school districts, encompassing 30 percent of the state's students, had spending below 12 percent of the statewide average. In Northern Virginia, the state's most affluent region, per pupil spending also varied considerably. For example, Falls Church, Arlington, and Alexandria spent at least \$2,000 or 25 percent more per pupil than Fairfax County, the

largest school district in the state, even though Fairfax County had the 9th highest per pupil spending in the state.

Most School Districts Have Independent Taxing Authority

In most states school districts have their own taxing authority; however, in Maryland and 13 other states a majority of school districts are financially dependent on another unit of local government. Fiscally independent school districts have broader financial and taxing authority than dependent school districts, with the main difference being that independent districts have ultimate control over their school budgets. However, many fiscally independent school districts still face some constraints due to voter approval requirements.

In fiscally dependent school districts, the local school boards must have either their budgets or tax levies approved by county or municipal governments. In most fiscally dependent districts school boards retain line-item budget authority, with the county or municipal governments having only broad fiscal control over the total budget amount or certain budget categories. **Exhibit 4** lists the states where a majority of local school districts are fiscally dependent on another unit of local government.

Exhibit 4

Fiscally Dependent School Districts

Alabama	Maryland	North Carolina
Alaska	Massachusetts	Rhode Island
California	Mississippi	Tennessee
Connecticut	Nevada	Virginia
Maine	New Hampshire	

State Education Funding Addresses Many Objectives

State education aid addresses multiple objectives, such as providing resources to meet the educational needs of a district (education need), assisting less affluent school districts (ability to pay), requiring a certain level of local effort, and achieving the state's programmatic goals.

Education Need Targets Aid to Greater Demand Districts

The education need objective focuses on the demands placed upon a school district's resources to provide educational services. These demands include student enrollment, geography, concentrations of special need and at-risk students, and higher cost-of-living. Pupil count serves as a common education need variable, which can be measured in a number of ways such as average daily attendance (ADA), average daily membership (ADM), and full time equivalent enrollment (FTE). ADA is based on a school district's student attendance rate. FTE is based on a school district's total enrollment on a single day; whereas, ADM is based on a district's average total enrollment over a given time period. ADM is the most common pupil count in the nation, followed by FTE and ADA. Some states use teacher or instructional units as a measure of need instead of pupil units.

Many states adjust the pupil or teacher/instructional units count through a weighted measure to provide a better reflection of a school district's education needs. For example, special education students may be double counted to reflect the higher costs of providing special education services. This approach reduces the need for developing a separate categorical program to compensate for the additional costs of serving certain student populations. In addition, some states adjust for sparsity, small size, enrollment growth/decline, cost of living differences, and other factors. Approximately 17 states make no adjustments to pupil counts for special education needs.

In Maryland, the pupil count is based on the number of students enrolled on September 30th of the previous school year. Unlike most states, Maryland does not use weighted measures to adjust the pupil count. Instead, the state relies on special categorical programs such as the limited English proficiency and compensatory aid programs to target funding to school districts with special needs.

Ability to Pay Provides More Funding to Less Affluent Districts

The ability to pay principle relates to a school district's ability to fund educational services from local sources. It is based on the concept that greater state aid should be provided to less affluent school districts to ensure all school districts have the resources to provide an adequate level of education. Most states incorporate this principle when distributing basic support aid. In about half of the states, this principle is based solely on the local property tax which is the primary revenue source for local governments. School districts in Maryland and a few other states, however, use both property and income measures to determine ability to pay. Some school districts use a combination of income sources.

Local Effort Ensures Minimum Level of Local Support

With local effort provisions, states increase assistance to school districts that make a greater funding effort and discourage school districts from reducing local appropriations when state aid increases. Local effort requirements can be implemented in several ways including, requiring school districts to meet certain spending levels as a condition of receiving state aid or basing state aid on local education spending effort. The first approach is similar to the local maintenance of effort requirement in Maryland which requires local boards of education to appropriate local funds no less than the per pupil amount of the prior year's appropriation multiplied by the current year's enrollment. The latter approach is mostly used with a guaranteed tax base formula with state assistance increasing with greater local effort. Nearly one-half of states utilize some form of local effort in their education formulas.

Programmatic Goals Serve To Achieve State Objectives

Many states establish or modify education funding formulas to achieve certain programmatic goals. These could include such goals as increased funding for districts with high concentration of at-risk students, high drop-out rates, or poor school performances. Many of these categorical programs are not based on local wealth. Examples of such programmatic initiatives in Maryland include drop-out prevention programs, challenge grants, gifted and talented programs, and extended elementary funding.

Objectives Influenced by Type of Funding Formula

State education assistance to local governments has two primary components: basic support aid which addresses the general educational needs of school districts, and categorical aid which addresses specific educational needs. Most basic support programs distribute aid inverse to local wealth. Some also include an effort component. In addition, special education needs can be addressed through general support programs by using a weighted pupil count. Categorical aid programs are based on education need and programmatic objectives and may not be based on the localities' ability to pay. One-half of the states provide more than 75 percent of all state education aid through their basic support formula, while three states provide less than 50 percent of state funding through basic support. In Maryland, approximately 60 percent of State education aid flows through the basic support program.

Basic Support Programs

Education funding objectives are addressed by the type of basic support program a state develops. The funding approach could focus on one objective, as in the flat grant, or a combination of objectives, as in the guaranteed tax base. A discussion of the four main approaches to basic support programs is provided below. **Exhibit 5** provides a brief summary of the four types of education funding formulas.

Exhibit 5 Summary of Education Funding Formulas

Flat Grant

- Simplest Approach
- Achieves Education Need and Programmatic Goals Objectives
- Does not Account for Locality's Ability to Pay

Foundation Program

- Provides Minimum Level of Per Pupil Funding
- Incorporates Education Need and Ability to Pay
- Enables States to Impose Local Effort Requirement
- Could Fail to Eliminate Educational Disparity Problem

Percent Equalization Programs

- Similar to Matching Grants
- Rewards High Spending Districts
- Low Ceiling Would Make Formula Similar to Foundation
- Builds in Current Spending Inequities

Guaranteed Tax Base

- Provides All Districts with Equal Wealth Base
 - Factors in Local Effort
 - Guaranteed Tax Base Needs to be High to Ensure All Districts Receive Aid
 - Could be Used as An Add-on Program to Recognize Effort Among Low Wealth Districts
-

Flat Per-Pupil Grant

A simple approach to providing state assistance to local school districts is through the flat grant. The flat grant provides equal amounts of state aid per student. This approach can also meet the special education need objective by using a weighted pupil count for special populations. However, a major problem with flat grants is that they do not account for a school district's ability to raise revenues from local sources. For this reason, only a few states use this approach.

Foundation Program

The most common education funding approach is the foundation program, which is used in most states. The foundation program provides a minimum level of funding per pupil; however unlike the flat grant, it incorporates a local wealth component that measures a school district's fiscal capacity. State aid is distributed inverse to local wealth: less wealthy school districts receive more aid per student than wealthier school districts. In addition, the foundation program provides a way to impose a local effort requirement, which has been implemented in about one-half of all states. A school district must provide the difference between the minimum per pupil foundation and the state aid per pupil for the school district.

In developing a foundation program states determine the foundation level and the amount of the local contribution. The foundation level can be based on several criteria including revenues, expenditures, inputs, or cost models. Maryland bases its foundation on 75 percent of the average per pupil spending in the third and fourth prior years (most recent years for which actual costs are available). For example, in fiscal year 2001, the foundation is based on spending in fiscal years 1997 and 1998.

While foundation programs achieve many education funding objectives, they do not completely alleviate the disparities in educational spending across school districts. This results from the foundation level being set too low and no limit being placed on local spending beyond the foundation amount. This has resulted in school finance litigation in many states with foundation programs such as California, Montana, and Texas.

Percent Equalization Program

Under the percent equalization program, a state funds a percentage of total spending up to a limit. In addition this approach utilizes a fiscal capacity measurement that targets greater state assistance to poorer school districts. For school districts spending above the limit this program is essentially a minimum foundation grant. A problem with a percent equalization program is that it builds in current spending inequities. Of the states that use this approach, all impose a limit on the amount of education spending that the state will share in funding.

Guaranteed Tax Base

The guaranteed tax base and yield programs attempt to eliminate disparities in school funding by basing state aid on the revenues raised from a standard tax base. Generally, less wealthy school districts receive more state aid than wealthier districts;

however, the guaranteed tax base also recognizes differences in local effort. This approach guarantees a school district the revenues the district would receive if its tax rate were applied to the guaranteed or standard tax base. State aid is the difference between the revenues that would be raised from the guaranteed tax base and revenues actually raised by the district from its tax base; therefore, districts making greater effort, as measured by their education tax rates, receive relatively more aid.

Per-pupil spending could still differ among the school districts depending upon the district's education effort (property tax rate). If a school district's per-pupil tax base is smaller than the guaranteed tax base, the school district receives state aid. The amount of the state aid depends upon the tax rate and local fiscal capacity. Local districts imposing a higher tax rate would receive relatively more state assistance.

When using this approach several questions have to be answered, such as at what level the guaranteed tax base should be set and should the state impose a recapture provision requiring school districts with tax bases above the state guaranteed base to return the excess tax revenue to the state. If the guaranteed tax base is too high, states face enormous costs; however, if the base is below the state average, many school districts would not receive state aid. The guaranteed tax base approach is used in only a few states.

Categorical Aid Programs

Since basic support programs cannot address all the specific needs of a school system, almost all states have developed categorical programs. The size and number of such programs vary considerably. For example, in Maryland the State has over 50 separate programs ranging from \$35,000 for the Smith Island Boat initiative in Somerset County to \$395 million for teacher's retirement payments. Four areas funded through categorical programs by a number of states are school construction, student transportation, special education, and teacher retirement.

School Construction

Most states provide some state support for capital outlay and debt service programs. Of these states, only a few fund the programs through their basic support program, while most states use a separate funding process. In Maryland, the State pays a portion of the eligible costs for justified public school construction projects approved by the Board of Public Works. Each school district's share depends on local wealth. The state share averages 60 percent of the eligible costs of approved projects, with the local share ranging from 10 percent in the poorest counties to 50 percent in the more affluent jurisdictions.

Until recently, local governments in Virginia were primarily responsible for funding public school construction projects. The State role was limited to providing low interest loans to county and city governments. Two years ago, the State provided \$55 million in grants to help pay for school construction projects. The State has recently enacted a law that earmarks 40% of the State's lottery proceeds (\$125 million annually) for public schools. At least 50 percent of the proceeds (\$62.5 million) must be used for capital outlays.

Student Transportation

Most states provide some support for student transportation, with most of these states providing funding through a separate program. A few states incorporate student transportation funding as part of the basic support program. Student transportation funding in Virginia is based on two factors: land area and number of students transported. However, since transportation funding is included in the state's basic education program, the aid is adjusted for local wealth. In Maryland, student transportation is funded through a separate formula, with the amount based on the transportation aid distributed in the prior year, adjusted for inflation and student enrollment growth. In Maryland, on average, State funding covers 40 percent of the local school system's student transportation costs. The remaining expenses have to be paid with either State basic support aid or through local revenue.

Special Education

Many states fund special education through their basic support program, most often by weighting different categories of pupils or services. In fiscal 1994, special education funding ranged from 1.8 percent of total aid in West Virginia to 21 percent in Louisiana, with the amount exceeding 10 percent in 18 states. In Maryland categorical special education funding comprised approximately 6 percent of State education aid. In fiscal 2000, State funding for special education programs in Maryland totaled \$158.1 million, of which \$81.3 million went to the local public school systems and \$76.8 million went to cover non-public placements.

Teacher Retirement

A majority of states contribute directly to teacher retirement funds. In Maryland, teacher retirement payments account for approximately 14.6 percent of State education aid. As of fiscal 1994, less than one-half of states contribute to social security. Maryland discontinued social security payments in fiscal 1993, when it became solely a local responsibility. At that time it totaled \$136 million or 7 percent of total state education aid.

Conclusion

Maryland's approach to education funding is similar to most other states in regards to the basic funding formula used to distribute state assistance to local school systems. As in most states, Maryland uses a foundation program that provides a minimum level of per pupil funding. Further, Maryland, like most states, uses categorical programs to achieve certain objectives that are not met through the foundation program. Currently there are over 50 separate programs comprising around 40% of State education aid. Unlike most states, Maryland does not adjust the student enrollment count for special needs. Instead, Maryland relies on separate student counts such as limited English proficiency and free and reduced priced meals counts to distribute additional aid to school districts. Also, Maryland tends to contribute a smaller share of education funding than most states. In fiscal 1997, Maryland ranked 38th in the nation in the state share of education funding. Finally, Maryland is one of 14 states where local school districts are fiscally dependent on another unit of local government.

APPENDIX 3

Summary of Past Studies Concerning Elementary and Secondary Education in Maryland

Since 1970, there have been eleven major study groups that have examined Maryland's public education financing and accountability programs. The study groups have studied how State aid is distributed to local subdivisions, the school construction program, and accountability systems such as the Maryland School Performance Program. The latest group, the Task Force on Education Funding Equity, Accountability, and Partnerships issued its report in January 1998. A list of the study groups and summaries of recommendations are below:

1970 – Commission to Study the State's Role in Financing Public Education (Hughes Commission): The Hughes Commission recommended the establishment of a new education funding formula and the reimbursement of future school construction and of the debt service costs of past construction projects. The Maryland Public School Construction Program was created as a result of a Hughes' Commission recommendation.

1972 – Task Force on Financing Public Education (Lee Task Force): The charge of the Task Force was to create a new State public education formula. The Task Force recommended establishing a new basic current expense formula that would be based on education spending in prior years. The "Lee-Maurer" formula became effective in fiscal year 1974.

1975 – Governor's Commission on Funding the Education of Handicapped Children (Schifter Commission): The charge of the Commission was to review the roles of the State and the counties in the field of special education; define what services would be rendered to whom; and formulate a timetable for achieving the goals required by the Raine Decree. The Raine decree required that no child, between the ages of five and twenty, be excluded from educational services provided by the State and that the cost of educational programs for students referred to private institutions be borne by the State. The Commission recommended a funding formula that included definitions of excess costs to be shared between the State and local subdivisions.

1977 – Governor's Commission on the Funding of Public Education (Barnes Commission): The Barnes Commission recommended that the Lee-Maurer formula be continued at a higher per pupil foundation and that a new compensatory education program be implemented. The Commission also recommended that existing categorical programs such as school transportation, school construction, and teacher's social security and retirement costs remain in place.

1979 – Task Force to Study State/Local Fiscal Relationships (Scanlan Task Force): Recommendations of the Scanlan Task Force included the determination of the current expense funding level; refinement of the definition of wealth to more accurately reflect what the subdivisions can actually pay; targeting of additional aid to the low-spending, low-wealth subdivisions; and promulgating a shared formula between the State and local subdivisions for the employer contribution to teachers' social security.

1983 – Task Force to Study the Funding of Public Education (Civiletti Commission): The issues of spending disparities among localities, the definition of an “excellent fundamental education” (definition would indicate the specific services needed to provide equal educational opportunities to each child in the State) and maintenance of effort were addressed by the Civiletti Commission. Two major recommendations made by the Commission include: (1) over a five year period, increase the per pupil foundation grant to an amount equal to 75% of the two year statewide average of per pupil expenditures for basic current expenses; and (2) establish a formula which would distribute State aid for students determined Chapter I eligible on a per pupil amount equal to 25% of the per pupil foundation amount. The Commission also recommended a local maintenance of effort requirement.

1985 – Task Force on the Funding of Special Education (Hebeler Commission): The Hebeler Commission recommended a two-tier funding program. Seventy million dollars of State funds would be distributed to local subdivisions using the fiscal year 1981 distribution. An additional amount of \$30.4 million, based on special education student enrollment, would be distributed to local subdivisions on a 80% State/20% local distribution basis.

1986 – Governor’s Commission on Teacher Salaries and Incentives (Hess Commission): The Commission was established to examine the relationship between teacher availability and quality and financial and non-financial rewards of teaching. Recommendations made by the commission include: eliminate State payment of teachers’ retirement and social security benefits and redistribute the funds through the Current Expense Formula; establish a minimum teacher salary schedule; target additional State funds to enhance mid-career salaries in subdivisions with below average per pupil wealth; target additional funds to less wealthy school districts to enhance local staff development programs and to provide other opportunities and incentives for teachers; develop a program of new tuition grants/loans for teacher candidates studying in public institutions of higher education in Maryland; provide competitive grants to Maryland colleges and universities to stimulate the development of non-traditional programs for teacher certification; and strengthen the local maintenance of effort requirement.

1987 – Governor’s Commission on School Performance (Sondheim Commission): The Sondheim Commission was appointed to examine ways to measure the performance of the State’s public schools and to develop strategies for improvement. The Commission found that many Maryland students failed to obtain the basic skills needed to function in a technological based economy. Further, the Commission determined that current assessments were not adequate in measuring how much subject matter any given student knows; and local school systems were not required to take any action to improve students’ performance. The Commission’s recommendations include: establish a comprehensive system of public accountability and assessment in which the school, school district, and State are held responsible for student performance; establish a statewide school improvement program and a public school accreditation program; establish a computerized management information system that is capable of tracking school and school system data; eliminate rules, regulations, and other strictures that constrain school staff in applying professional abilities and creativity to the task of teaching children; and establish an independent, continuing oversight body to monitor standards and to review accountability procedures. To implement these recommendations, the Maryland State Board of Education in 1989 established the Maryland School Performance Program.

1993- Governor's Commission on School Funding (Hutchinson Commission): The Hutchinson Commission was established to determine an adequate level of school funding and to devise ways to use additional funds to improve student/school performance. The Commission's recommendations include: increase current expense formula aid (the foundation grant) based on the per pupil spending in school systems that have met State performance standards and serve relatively low proportions of students living in poverty; include the costs of existing categorical funding programs in the foundation; increase and target funding for children living in or near poverty; integrate existing and additional resources and services for families and children, beginning at birth and extending through secondary school, to address problems that interfere with learning; provide additional funding for limited English proficiency programs and programs for highly able students; freeze the State's contribution to the Teachers' Retirement Program at the 1995 level; and require school systems to utilize fully the expertise of principals, teachers, parents, and other members of school communities in assuring the success of all students.

1998 – Task Force on Education Funding Equity, Accountability, and Partnerships (Counihan Task Force): The Counihan Task Force was charged with undertaking a comprehensive review of education funding and programs in grades K-12 to ensure that students throughout Maryland have an equal opportunity for academic success. One of the main goals was to determine if inequities or gaps exist in funding programs earmarked for Maryland students who are believed to be "at risk" of failing in school. The Task Force also was charged with looking at current accountability measures and ways to leverage public and private resources dedicated to education initiatives. In addition, the Task Force examined issues specific to the Prince George's County Public Schools (PGCPS). The Task Force examined issues on the desegregation lawsuit, student performance, and the efficacy of instructional programs. The Task Force's recommendations include additional funding for "at risk" students, the aging schools program, and programs in the Prince George's County Public Schools (additional funds for magnet schools, teacher certification initiatives, and pilot integrated health services). In addition, the Task Force made recommendations to enhance accountability measures such as evaluation of school improvement plans and issues surrounding financial accountability. The Task Force's recommendations pertaining to public/private partnerships include the production of a ten-year technology and workforce assessment of skills needed by high school students to succeed in the workplace of the future; encouraging private-sector employees to work as teaching assistants; and establishing an annual statewide forum for educators and business leaders to showcase ideas for developing

APPENDIX 4

**Overview of the Baltimore City Schools
Legislation (SB 795) and
the School Accountability Funding for
Excellence (SAFE) Legislation (HB 1)**

**Department of Legislative Services
Office of Policy Analysis**

Annapolis, Maryland

November 1999

Overview of the Baltimore City Schools Legislation (SB 795) and the School Accountability Funding for Excellence (SAFE) Legislation (HB 1)

In the last three years, State operating funding for public schools in Maryland has increased by over \$461 million or 26 percent, not including retirement payments. Approximately one-third of this funding increase or \$152 million is due to the enactment of the Baltimore City Schools (Senate Bill 795 of 1997) and School Accountability Funding for Excellence (SAFE) (House Bill 1 of 1998) legislation. The two legislative initiatives will provide local school districts with \$671 million in State funding over a five-year period (fiscal 1998 through fiscal 2002). This report (1) highlights the primary reasons behind the enactment of the legislation; (2) summarizes the components of the legislation; and (3) discusses the effect of the legislation State education aid. The report includes a county-by-county allocation of State funding under the two legislative initiatives.

Background

The impetus for additional State funding for public schools under the Baltimore City Schools legislation (Chapter 105 of the Acts of 1997) and the SAFE legislation (Chapter 565 of the Acts of 1998) stemmed from a number of lawsuits filed concerning the education of Baltimore City's children.

Education Funding Lawsuit Filed Against the State

In December 1994 the American Civil Liberties Union (ACLU), on behalf of Baltimore City school children, sued the State alleging that the children of Baltimore were not receiving an adequate education as provided in the State Constitution. In September 1995 Baltimore City also filed suit against the State Superintendent of Schools and other State officials claiming that the State had failed to fulfill its duty to provide a "thorough and efficient" education for children as provided in the State Constitution. The State responded by filing to include Baltimore City officials as defendants in the ACLU lawsuit. The State claimed that if the children of Baltimore were not receiving an adequate education, it was a result of poor management by the Baltimore City Public School System. The State called for a total restructuring of the management of the city school system.

The State's claim was partly based on the fact that Baltimore City continues to have the lowest Maryland School Performance Assessment Program (MSPAP)

composite scores in the State. Baltimore City's score in 1998 was about one-third of the Statewide average and one-half of the composite score of the second lowest performing school district (Prince George's County). In addition, Baltimore City has the State's highest student dropout rate (10.5 percent) and the lowest high school attendance rate (82 percent).

The State and Baltimore City were involved in a third lawsuit that was filed in federal court in 1984 concerning special education. Since 1988 special education services in Baltimore City, as required under the Individuals with Disabilities Education Act, have been subject to judicial oversight under a consent decree issued by the U.S. District Court for Maryland (*Vaughn, G. v. Mayor of Baltimore City*). The Baltimore City Public School System had failed to comply with federal and State laws and several court orders, resulting in additional court orders appointing a court monitor, establishing a management oversight team, and directing the appointment of an administrator of special education. In August 1995 the U.S. District Court entered an order finding that the Baltimore City School Superintendent had failed to hold anyone responsible for the continued failure of the city school system to comply with the consent decree and federal law.

In 1996 several proposals were developed to address the management of Baltimore City's schools. The Governor proposed a collaborative agreement between Baltimore City and the State that laid a foundation for management reform tied to an increase in education funding over a five-year period. Through subsequent negotiations led by the federal and state judges assigned to the pending court cases, a consent agreement was reached between the State and the city that called for Baltimore City to receive \$230 million in new operating State aid over the next five years.

Baltimore City Schools Legislation Enacted

During the 1997 session, the General Assembly passed legislation (Senate Bill 795/Chapter 105) that restructured the management of the Baltimore City Public School System. The legislation provided \$231.5 million to Baltimore City over a five-year period (\$230 million through the City-State Partnership Grant and \$1.5 million in other grants). In addition, the legislation provided \$156.5 million to the other 23 jurisdictions over a five-year period. With the enactment of the Baltimore City Schools legislation, it became evident that other school districts in the State experienced similar obstacles and barriers to school success and that a more comprehensive approach to education funding was needed to improve public schools and student performance.

Counihan Task Force Established

In July 1997, the Governor and the Speaker of the House appointed the Task Force on Education Funding Equity, Accountability, and Partnerships, chaired by Mr. Gene Counihan. The task force was charged to undertake a review of education funding and programs in grades K-12 to ensure that students throughout Maryland had an equal opportunity for academic success. One of the main goals of the task force was to determine if inequities or gaps existed in funding programs earmarked for Maryland students who are believed to be “at risk” of failing in school.

Counihan Task Force Requested Increased State Funding

The Counihan Task Force found that a large portion of the State’s public school students were “at-risk” of not performing at a high academic level. Conceptually, “at-risk” students were defined as those students who, while not necessarily poor, face significant obstacles to achieving academic success. This included students from low income families and possessing limited English proficiency skills. Other factors included attending schools that have a large proportion of inexperienced teachers or being from highly mobile families that move several times during a school year.

The academic performance of “at-risk” students had become evident through analyzing the results of the *Maryland School Performance Report*. Since 1993, overall student performance had increased. However, while many students were performing at a higher level, a large number of students were still a considerable distance from meeting Maryland’s academic performance standards. According to a report from the Maryland State Department of Education (MSDE), a majority of these students were from poor families, were limited English proficient, or were from highly mobile families.

While the State historically had provided significant amounts of funding for programs serving “at-risk” students, the task force believed that there still remained groups of students who needed additional assistance to achieve the State’s high academic standards. These concerns formed the basis for the SAFE legislation and the need for additional State funding for at-risk initiatives.

SAFE Legislation Enacted

In January 1998, the task force submitted its preliminary report which formed the basis of legislation (Chapter 565) that was passed by the General Assembly at the 1998 session. The legislation entitled School Accountability Funding for Excellence (SAFE) will provide \$283 million to the State’s 24 local jurisdictions over a four-year period.

State Funding Expires After Fiscal 2002

State funding under both the Baltimore City Public Schools legislation and SAFE expires after fiscal 2002. Therefore, before fiscal 2003, the General Assembly must decide whether to continue the \$155 million in annual categorical funding to local school districts (\$82 million in SB 795 funding and \$73 million in SAFE funding).

Legislation Restructured the Management of Baltimore City Public Schools

The Baltimore City Schools legislation restructured the management of the Baltimore City Public School System contingent on the State providing additional funding to the city. The current board of school commissioners appointed by the Mayor was replaced with a ten-member board appointed jointly by the Mayor and Governor, from a list of candidates submitted by the State board. The new board currently has the authority and is responsible for all functions relating to the public school system including the establishment of a personnel system governing all employees and the adoption of regulations governing school system procurement. Under the previous management structure, noncertificated personnel were governed by the city's personnel system and procurement functions were administered by the city's finance department.

Baltimore City Schools Must Develop a Master Plan

The legislation required the new board to develop a master plan to guide the city school reform efforts. The master plan was to build on the strategies identified in the transition plan which guided the school system during the first year of reform. The new board was required to submit the master plan to MSDE and the State Superintendent for review and approval. The master plan was submitted to the State in March 1998 and included two overarching goals: (1) improving student achievement; and (2) establishing effective management systems. The master plan was approved by the State Superintendent.

The consent decree states that the new board may request additional funds after completion of an interim evaluation required under the decree and legislation. The interim evaluation by an independent consultant must be completed by February 1, 2000. As outlined in the consent decree, the evaluation may include a recommendation for additional funding. If the new board requests additional funding, but the State and the new board do not reach agreement on that funding by June 1, 2000, the new board may seek relief from the Circuit Court for Baltimore City.

\$388 Million in State Funding Provided to Local Schools

The legislation provided an additional \$30 million in funding to Baltimore City in fiscal 1998 and \$50 million in fiscal 1999 through fiscal 2002 through the partnership grant. Baltimore City also receives \$306,000 annually from the other grants in the legislation. Additionally, the legislation provided over \$32 million in education funds for jurisdictions around the State, for each fiscal year from 1998 through 2002. The additional aid funds the following: Additional Poverty Grants Program, Limited English Proficiency Program, Aging School Program, Extended Elementary Education Program, Baltimore County teacher mentoring program, Montgomery County gifted and talented program, and Prince George's County magnet school program. (Appendix 1 describes these programs.) If the General Assembly fails to appropriate the additional funds for Baltimore City and the other jurisdictions as required by the legislation, the Act is abrogated. **Exhibit 1** shows the level of State funding under the Baltimore City Schools legislation.

Exhibit 1
State Education Funding Under Baltimore City Schools Legislation
(\$ in Millions)

<u>Program</u>	<u>FY 2001 Funding</u>	<u>FY 1998-02 Funding</u>
Baltimore City-State Partnership Grant	\$50.0	\$230.0
Additional Poverty Grants	\$16.6	\$82.8
Limited English Proficiency Grant	\$1.9	\$9.5
Extended Elementary Education Program	\$3.3	\$16.5
Baltimore County Teacher Mentoring Grant	\$2.4	\$12.0
Aging Schools Program	\$4.35	\$21.75
Montgomery County Gifted and Talented Grant	\$2.0	\$10.0
Prince George's County Magnet Schools Grant	<u>\$1.1</u>	<u>\$5.5</u>
Total Funding	\$81.6	\$388.0

SAFE Legislation Designed to Target Funding to At-Risk Students

The School Accountability Funding for Excellence Program, enacted at the 1998 session, provides additional targeted State funding for education programs serving at-risk students. Specifically, the legislation (1) establishes a new targeted improvement grant, elementary school library grant, and teacher development program; (2) enhances State funding for the limited English proficiency, aging schools, and extended elementary education programs; and (3) provides Prince George's County with additional funding for effective schools, a pilot integrated student support services project, and teacher certification initiatives. (Appendix 1 describes these programs.)

\$283 Million in State Funding Provided to Local Schools

The SAFE legislation provides an additional \$283 million in State funding over four years to local school districts, with most of the funding being targeted to programs designed to increase the academic performance of at-risk students. With the exception of the school library grants, (\$3 million) all the new funding proposals were recommended by the Counihan task force. **Exhibit 2** shows the State funding under the SAFE legislation.

Exhibit 2 State Funding Under SAFE Legislation (\$ in Millions)

<u>Program</u>	<u>Est. FY 2001 Funding</u>	<u>Est. FY 1999-02 Funding</u>
Targeted Improvement Grant	\$21.5	\$85.8
Limited English Proficiency Grant	\$17.8	\$68.6
Extended Elementary Education Program	\$4.4	\$17.5
Teacher Development Grant	\$5.8	\$22.8
Baltimore County Teacher Development Grant	\$5.0	\$20
Prince George's County Teacher Development Grant	\$2.0	\$8.0
Prince George's County Teacher Certification Grant	\$2.5	\$10.0
Statewide Teacher Certification/Development Grants	\$0.5	\$2.0
Aging Schools Program	\$6.0	\$24.1
Elementary School Library Grant	\$3.0	\$12.0
Prince George's County Effective Schools Grant	\$2.0	\$8.0
Prince George's County Pilot I.S.S.S. Grant	<u>\$1.0</u>	<u>\$4.0</u>
Total Funding	\$71.4	\$283.0

Locals School Systems must Submit a Comprehensive Plan

To receive any of the funding provided in the legislation, except the elementary school library and additional aging school funding, each local school system must submit to MSDE a comprehensive plan on ways to increase the performance of at-risk students. The plan must integrate funding from different programs targeting at-risk students in order to deliver a more comprehensive and coordinated program. Each comprehensive plan must include a description of the measures that will be used and the process by which data will be collected and evaluated to measure change in student learning and other educational performance attributable to the SAFE program funds. Each local school system must also submit semi-annual progress reports to MSDE.

Local School Systems Prohibited From Supplanting Funds

The SAFE legislation included a non-supplantation provision that prohibited local school systems from using the additional State funds provided in the SAFE program to supplant existing education funding for at-risk programs. However, to the extent that a local school system achieves the intended funding levels in a particular targeted program for students at risk, the local school system may divert funds to another targeted program if such program is identified in the school system's comprehensive plan and approved by MSDE.

Prince George's County Must Submit Annual Plan

The Prince George's County Board of Education is required under the SAFE legislation to submit an annual plan to MSDE on the use of State funds for effective schools programs and the magnet schools program. A performance audit of the county's school system was also required. In addition, a Management Oversight Panel was established to monitor the progress of the performance and financial audits and the implementation of the audits' recommendations for a four-year period. The panel is staffed by a newly created coordination office.

Effect of Legislation on State Education Aid

In the last three years, through the Baltimore City Schools and the SAFE legislation, Maryland has established 10 new categorical programs and enhanced funding to five existing categorical programs. While these two legislative initiatives provided considerable new State funding to local school districts, existing education aid programs also increased during this period. As shown in **Exhibit 3**, direct State education aid

increased by \$175 million or 10 percent in fiscal 1998. Of this amount, \$61.6 million or 35 percent is due to increased State funding under the Baltimore City Schools legislation. The remaining 65 percent or \$113 million is a result of increases to existing aid programs. For example, State current expense aid in fiscal 1998 increased by \$95 million.

In fiscal 1999, roughly 45 percent of the State education aid increase is due to the two legislative initiatives. The remaining 55 percent is due to existing aid programs, with current expense accounting for 61 percent of the amount. Absent the two legislative initiatives, State education aid would have increased by 6.5 percent in fiscal 1998 and 5.9 percent in fiscal 1999, instead of by 10 percent in both years. Since most of the new funding is not formula-driven, the overall amount does not increase much in fiscal 2000.

Exhibit 3
Aid Increase Associated with the Two Legislative Initiatives

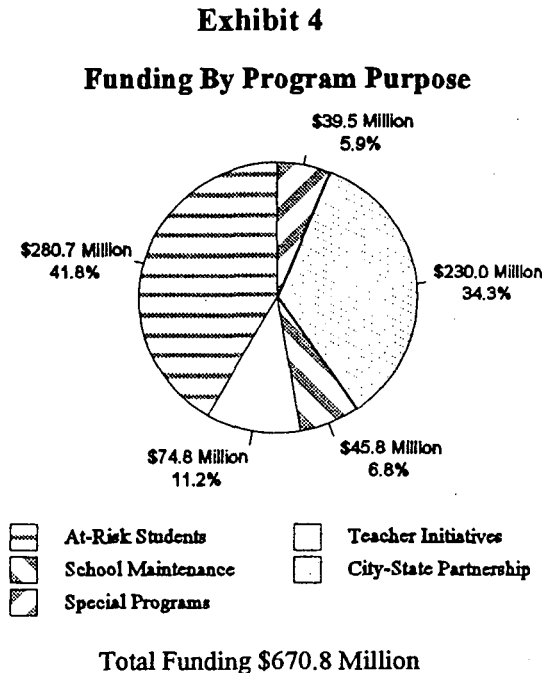
<u>Fiscal Year</u>	<u>Total State Education Aid</u>	<u>State Aid Increase</u>	<u>Increase Due to Legislation</u>	<u>Percent of Increase</u>
1997	\$1.753 billion			
1998	\$1.928 billion	\$175 million	\$61.6 million	35%
1999	\$2.125 billion	\$197 million	\$87.8 million	45%
2000	\$2.214 billion	\$89 million	\$2.1 million	2%
FY 1997-2000		\$461 million	\$151.5 million	33%

Note: Baltimore City legislation took effect in fiscal 1998 and SAFE in fiscal 1999.

Increased State Funding Serves Five Basic Purposes

State funding under the two legislative initiatives goes for five basic purposes: (1) grants for at-risk students; (2) Baltimore City-State partnership; (3) teacher initiatives; (4) school maintenance; and (5) special projects. Grants for at-risk students, accounting for 42 percent of the total funding, includes the targeted improvement grant, additional poverty grant, limited English proficiency grants, and extended elementary education grants. The Baltimore City-State partnership grant accounts for 34.3 percent of total funding and teacher initiatives, such as the teacher development/mentoring grants, accounts for 11 percent of funding. Approximately 7 percent of the funding is for school maintenance projects at aging schools and 6 percent of the funding is for

special initiatives, such as the Montgomery County gifted and talented program, Prince George's County magnet schools, and the elementary school library program. **Exhibit 4** shows the funding allocation by program.



Reliance on Increased State Funding Varies By School District

The increased State funding under the two initiatives represented approximately 3 percent of total State direct education aid in fiscal 1998 and 7 percent in fiscal 1999; however, the relative impact on each school system's level of State funding varies by jurisdiction. In six school districts (Anne Arundel, Calvert, Carroll, Frederick, Harford, and Howard Counties) the increased State funding represented less than 2.5 percent of total State aid in fiscal 1999. These school districts had a smaller proportion of at-risk students and did not receive any special purpose grants.

In five school districts (Baltimore City and Baltimore, Montgomery, Talbot, and Worcester Counties) the increased State funding in fiscal 1999 exceeded 7.5 percent. These school districts either (1) had a high proportion of at-risk students, such as in the case of Baltimore City; (2) received special purpose grants, such as in the case of Baltimore City and Baltimore and Montgomery Counties; or (3) received a greater proportion of State aid under the two legislative initiatives than current law, such as in the case of Talbot and Worcester Counties. **Exhibit 5** shows each local school system's share of funding under the Baltimore City Schools legislation and the SAFE legislation.

Exhibit 5
State Funding Under Baltimore City Schools Legislation and SAFE Legislation
Fiscal 1998 through 2002

<u>County</u>	<u>Additional Poverty</u>	<u>Targeted Improvement</u>	<u>Limited English Proficiency</u>	<u>Extended Elementary (EEEEP)</u>	<u>Teacher Mentoring/ Development</u>	<u>Aging Schools</u>	<u>School Library</u>	<u>Other Grants</u>	<u>Total</u>
Allegany	\$2,420,640	\$2,082,210	\$41,523	\$478,424	\$771,840	\$1,570,000	\$161,064	\$0	\$7,525,701
Anne Arundel	5,194,080	2,676,471	2,223,211	2,297,024	892,320	2,520,000	1,073,824	0	16,876,930
Baltimore City	0	35,196,984	2,678,723	4,182,080	5,555,520	6,660,000	1,521,560	230,000,000	285,794,868
Baltimore	12,231,840	6,520,000	5,307,612	1,702,116	34,468,640	13,510,000	1,505,264	0	75,245,472
Calvert	920,160	572,361	71,068	667,356	32,160	285,000	214,960	0	2,763,065
Caroline	1,062,240	1,143,555	283,342	798,016	297,600	375,000	80,872	0	4,040,625
Carroll	1,075,200	784,165	410,829	93,712	152,640	1,720,000	394,072	0	4,630,619
Cecil	1,505,280	1,196,044	185,639	1,691,544	402,240	1,570,000	220,156	0	6,770,903
Charles	2,277,120	1,495,240	400,160	3,247,536	619,840	285,000	313,124	0	8,638,020
Dorchester	1,104,000	829,941	180,313	368,056	289,440	285,000	73,528	0	3,130,278
Frederick	2,228,640	1,523,469	612,174	1,763,828	361,920	375,000	503,524	0	7,368,555
Garrett	1,080,960	760,676	0	386,184	401,760	375,000	76,680	0	3,081,260
Harford	3,064,800	2,080,869	921,322	2,258,416	409,760	1,780,000	557,664	0	11,072,831
Howard	1,634,400	922,915	3,957,320	1,041,284	193,280	285,000	591,908	0	8,626,107
Kent	478,080	252,416	115,488	455,772	225,120	285,000	40,788	0	1,852,664
Montgomery	12,346,080	4,622,561	36,587,223	2,568,768	2,541,440	5,190,000	1,814,336	10,000,000	75,670,408
Prince George's	24,202,080	16,775,365	21,779,895	1,711,204	22,656,000	4,300,000	1,852,604	17,500,000	110,777,148
Queen Anne's	586,080	292,470	81,047	660,964	128,640	375,000	94,176	0	2,218,377
St. Mary's	1,808,160	1,089,039	308,982	1,927,688	305,280	375,000	209,156	0	6,023,305
Somerset	840,960	747,793	161,548	392,524	289,440	285,000	44,240	0	2,781,505
Talbot	550,080	187,596	183,141	665,772	192,960	680,000	65,536	0	2,525,085
Washington	2,856,000	1,786,225	521,670	1,238,208	804,000	890,000	290,580	0	8,386,683
Wicomico	2,219,040	1,902,937	894,964	2,701,336	474,240	1,570,000	201,968	0	9,964,485
Worcester	1,130,880	353,432	237,556	615,232	321,600	285,000	98,416	0	3,042,116
Statewide	0	0	0	0	2,000,000	0	0	0	2,000,000
Total	\$82,816,800	\$85,794,735	\$78,144,750	\$33,913,044	\$74,787,680	\$45,830,000	\$12,000,000	\$257,500,000	\$670,787,009

Prepared by the Department of Legislative Services, November 1999

Large Portion of State Funding Targeted to At-Risk Students

A large portion of State funding under the two legislative initiatives is targeted to at-risk students. School districts with more at-risk students receive a greater share of State funding than school districts with a small number of at-risk students. For example, around 25 percent of the funding under the two legislative initiatives is distributed based on the free and reduced price meal count. An additional 12 percent is distributed according to the number of limited English proficient students in each school district. School districts with a small number of limited English proficient students or small percentage of students qualifying for free or reduce price meals receive relatively less state aid under the two legislative initiatives. Accordingly, since 46 percent of the State's limited English proficient students reside in Montgomery County, the county receives approximately 46 percent of the funding enhancements targeted to the limited English proficiency program. Consequently, school districts with a small number of at-risk students (Anne Arundel, Calvert, Carroll, Frederick, and Howard) receive relatively less State aid from this legislation.

Some school districts (Baltimore, Montgomery, and Prince George's County) receive special purpose grants that are not specifically targeted to at-risk students. For example, over a five-year period Baltimore County will receive \$32 million in special teacher mentoring grants to support its successful teacher mentoring program. Baltimore City receives a special State partnership grant which will provide \$230 million to the school system over a five-year period. While the grant is not specifically targeted to at-risk students, however, since approximately 68 percent of the city's students are considered at-risk, the grant should benefit at-risk students.

Furthermore, only the targeted improvement grant, representing 12 percent of the funding amount, incorporates a local wealth measure. Due to this reason, there is not a strong correlation between a school district's local wealth and the increased State aid that the school district received under the two legislative initiatives. For example, as shown in **Exhibit 6**, several wealthier counties (Talbot, Montgomery, Baltimore, and Kent) received as much State aid per pupil under the two legislative initiatives as many less affluent school districts (Allegany, Caroline, and Wicomico). **Exhibit 7** shows the number of at-risk students in each school district.

Exhibit 6
Per Pupil State Aid Under Legislative Initiatives According to Local Wealth

<u>County</u>	<u>Local Wealth (Rank)</u>	<u>FY 1999 Per Pupil Aid SB 795/SAFE</u>
Allegany	21st	\$166
Anne Arundel	5th	\$53
Baltimore City	24th	\$649
Baltimore	6th	\$170
Calvert	9th	\$43
Caroline	23rd	\$167
Carroll	12th	\$40
Cecil	18th	\$103
Charles	11th	\$87
Dorchester	19th	\$150
Frederick	10th	\$49
Garrett	17th	\$145
Harford	14th	\$66
Howard	4th	\$46
Kent	7th	\$160
Montgomery	3rd	\$136
Prince George's	13th	\$205
Queen Anne's	8th	\$78
St. Mary's	16th	\$102
Somerset	22nd	\$221
Talbot	2nd	\$128
Washington	15th	\$103
Wicomico	20th	\$103
Worcester	1st	\$102

Exhibit 7
At-Risk Student Populations for the 1997-98 School Year

<u>School District</u>	<u>Total Enrollment</u>	<u>Students Receiving Free/Reduced Price Meals</u>	<u>Percent of Enrollment</u>	<u>Limited English Proficient Students</u>	<u>Percent of Enrollment</u>
Allegany	11,110	5,059	45.5%	10	0.1%
Anne Arundel	73,363	12,049	16.4%	497	0.7%
Baltimore City	107,416	72,885	67.9%	564	0.5%
Baltimore	104,708	28,590	27.3%	1,306	1.3%
Calvert	14,736	2,152	14.6%	19	0.1%
Caroline	5,635	2,350	41.7%	66	1.2%
Carroll	26,823	2,497	9.3%	90	0.3%
Cecil	15,327	3,310	21.6%	46	0.3%
Charles	21,620	4,726	21.9%	96	0.4%
Dorchester	5,175	2,467	47.7%	39	0.8%
Frederick	34,569	5,152	14.9%	155	0.5%
Garrett	5,105	2,271	44.5%	0	0%
Harford	38,572	6,796	17.6%	199	0.5%
Howard	40,215	4,252	10.6%	915	2.3%
Kent	2,903	1,105	38.1%	25	0.9%
Montgomery	125,023	27,944	22.4%	7,987	6.4%
Prince George's	128,347	53,036	41.3%	4,736	3.7%
Queen Anne's	6,607	1,175	17.8%	21	0.3%
St. Mary's	14,691	3,505	23.9%	74	0.5%
Somerset	3,162	1,722	54.5%	34	1.1%
Talbot	4,557	1,199	26.3%	40	0.9%
Washington	20,019	5,597	28.0%	114	0.6%
Wicomico	14,229	4,865	34.2%	194	1.4%
Worcester	6,832	2,326	34.0%	55	0.8%
Total	830,744	257,030	30.9%	17,282	2.1%

Source: Maryland School Performance Report - 1998, Maryland State Department of Education

At-Risk Aid Programs Rely Significantly on Increased Funding

The State's major categorical aid programs targeted to at-risk students rely significantly on the two legislative initiatives for funding. **Exhibit 8** shows the increased State funding provided by the two legislative initiatives and the initiatives' relative importance on specific at-risk programs.

The Baltimore City Schools legislation provided an additional \$21.8 million for at-risk programs, representing an 80 percent increase over the fiscal 1998 baseline amount. Funding under the legislation accounted for 16.8 percent of total State funding for at-risk programs (\$129.8 million). At-risk programs include the compensatory aid, limited English proficiency, targeted poverty grants, additional poverty grants, and extended elementary education grants. Additional poverty grants accounted for the largest funding increase. Limited English proficiency funding increased by 32 percent and funding for extended elementary education increased by 28 percent.

The SAFE legislation provided an additional \$40.3 million for at-risk programs. Targeted improvement grants accounted for the largest funding increase. Limited English proficiency funding increased by \$15.3 million and funding for extended elementary education increased by \$4.4 million.

EXHIBIT 8

Funding Enhancements Under SB 795 and SAFE

<u>Program</u>	<u>Fiscal 1998 Baseline</u>	<u>Fiscal 1998 SB 795</u>	<u>Percent Change Over Baseline</u>	<u>Fiscal 1999 SB 795/SAFE</u>	<u>Percent Change Over Baseline</u>	<i>Overview of SB 795 and HB 1</i>
Limited English Proficiency	\$5,898,500	\$1,903,500	32.3%	\$17,230,750	292.1%	
Extended Elementary Education	11,601,742	3,290,000	28.4%	7,655,761	66.0%	
Poverty Grants	9,600,000	16,563,360	172.5%	37,209,066	387.6%	
Sub Total: At-Risk Programs	27,100,242	21,756,860	80.3%	62,095,577	229.1%	
Aging Schools	0	4,350,000	N/A	10,370,000	N/A	
Teacher Initiatives	500,000	2,400,000	480.0%	17,888,000	3577.6%	
Magnet Schools	13,000,000	1,100,000	8.5%	1,100,000	8.5%	
Gifted and Talented	2,434,829	2,000,000	82.1%	2,000,000	82.1%	
Other Programs	0	0	0.0%	6,000,000	N/A	
Baltimore City Partnership	0	30,000,000	N/A	50,000,000	N/A	
Total	\$43,035,071	\$61,606,860	143.2%	\$149,453,577	347.3%	
Total Education Aid	\$1,866,128,864	\$61,606,860	3.3%	\$149,453,577	8.0%	

Note: The fiscal 1998 baseline amount is the level of funding appropriated for the program absent funding increases resulting from the Baltimore City Schools and SAFE legislation.

Prepared by the Department of Legislative Services

Conclusion

The Baltimore City Schools and SAFE legislation will provide local school districts with \$671 million in State funding over a five-year period (fiscal 1998 through fiscal 2002). The impetus for the additional State funding began when a number of lawsuits were filed concerning the education of Baltimore City's children. A subsequent task force found that a large portion of the State's public school students were at-risk of not performing at a high academic level and that additional State funding was needed for at-risk initiatives. State funding under both the Baltimore City Schools and SAFE legislation expires after fiscal 2002. Therefore, before fiscal 2003, the General Assembly must decide whether to continue the annual categorical funding to local school districts.

Appendix 1

Summary of Major Funding Components

Exhibit 9 shows the funding from fiscal 1998 - 2002 for the programs.

Baltimore City-State Partnership Grant

The Baltimore City Schools legislation required the State to provide the Baltimore City Public School System with an additional \$30 million in operating funding in fiscal 1998 and \$50 million annually for fiscal 1999 through fiscal 2002.

Targeted Improvement and Additional Poverty Grants

The 1993 Governor's Commission on School Funding found that the single best predictor of a school's results was the percentage of the school's students living in poverty, as measured by eligibility for free or reduced price lunch. Based on this finding, the State established the targeted poverty program in 1994 which provides \$8 million to local school systems based on the school system's proportional share of the total number of students qualifying for a free or reduced price lunch. The Baltimore City Schools legislation enhanced this funding by providing an additional \$16.6 million to local school systems, except for Baltimore City, based on the local school system's share of students receiving a free or reduced price lunch.

The SAFE legislation established a new categorical grant program (targeted improvement grants) for students living in poverty. Targeted improvement grant funding is based on 85 percent of the number of children eligible for free and reduced price meals for the second prior fiscal year multiplied by 2.5 percent of the per pupil foundation under the basic current expense program. Each county's initial allocation is adjusted by a factor relating each county's wealth per full-time equivalent student to the statewide wealth per student. State funding for this program totals approximately \$86 million over a four-year period (fiscal 1999 through fiscal 2002).

Limited English Proficiency Grants

State funding for limited English proficiency programs began in fiscal 1994. State aid was originally based on a \$500 grant for each non- and limited-English proficient student (LEP) enrolled in the local school system. The number of each school system's LEP students was determined by a count as of May 15 of the second preceding school year, and no student could be included in the count for more than two years. Due to the two-year cap, the State did not provide funding for approximately 22 percent of students identified as having limited English proficiency through the statutory formula.

To address this situation, the State provided an additional \$1.9 million in funding for the limited English proficiency program beginning in fiscal 1998 as part of the Baltimore City Schools legislation. As a result of the SAFE legislation, the LEP grant was increased to \$1,350 per student and the two-year cap was removed. This resulted in an additional \$15.3 million in State funding for LEP programs in fiscal 1999. For the current school year, over 18,500 students are identified as limited English proficient.

Teacher Development/Mentoring/Certification Programs

The Baltimore City Schools legislation provided a \$2.4 million annual grant to Baltimore County for the purpose of expanding its existing teacher mentoring program. The SAFE legislation established a new teacher development grant program. These grants are provided to enhance teacher development programs in schools with a free or reduced price meal count of 25 percent or more of their student population. Each eligible school will receive an \$8,000 grant to enhance teacher development in dealing with at-risk students.

In addition, the legislation provided as special grants an additional \$5 million to Baltimore County to enhance its teacher mentoring program and an additional \$2 million for Prince George's County to develop a teacher mentoring program. The SAFE legislation also provided Prince George's County with \$2.5 million each year for provisional teacher certification and teacher development initiatives and \$500,000 for statewide provisional teacher certification and teacher development initiatives. In sum, funding for teacher development/mentoring programs over a five year period totals approximately \$75 million.

Aging Schools Program

This program provides funds to local school systems for the improvement, repair, and deferred maintenance of public school buildings exceeding 15 years of age. The program was established under the Baltimore City Schools legislation, which provided \$4.35 million annually and identified specific allocations for each of the 24 jurisdictions for a five-year period (through fiscal 2002). The funds were distributed based on a formula which took into account the percentage of pre-1960 square footage in each school system.

Overview of SB 795 and HB 1

The SAFE legislation provided an additional \$6.02 million for this program. Total annual funding under this program is \$10,370,000. The Board of Public Works adopted regulations to guide the program, and the Interagency Committee on Public School Construction administers the program as part of the Public School Construction Program.

Extended Elementary Education Program

Since fiscal 1980 the State has provided funds for the Extended Elementary Education Program, a public school kindergarten program for four-year-old children identified as having a high potential for failure in school. Prior to the enactment of the Baltimore City Schools legislation, the program received \$11.6 million in funding each year. The Baltimore City Schools legislation provided an additional \$3,290,000 in funding each year, which represented a 28 percent funding increase. The following year, the SAFE legislation was enacted which provided an additional \$4.4 million in annual funding. These two legislative initiatives provide approximately 40 percent of the program's current funding.

To receive these funds, local school systems must submit a comprehensive plan to MSDE, as required by the SAFE legislation. Local school systems receive about \$65,000 for each school site. In addition, \$1 million in grants are provided to local school systems to address early intervention strategies for four-year-olds whose needs are not fully met by the existing program.

School Library Programs

The SAFE legislation required the Governor to include \$3 million in the State's annual budget for elementary school library grants. Each local school system's share of the grants is based on its percent of total full-time equivalent enrollment statewide in fiscal 1998. As a condition to receive these grants, each local board of education must provide equal matching funds to be used for school library programs.

Special Initiatives

The Baltimore City Schools legislation provided a \$2 million annual grant for the gifted and talented program in Montgomery County and a \$1.1 million annual grant for the magnet schools program in Prince George's County. The SAFE legislation provided \$3 million in State funding for specific programs in Prince George's County. This includes \$2 million for the effective schools program and \$1 million for a pilot integrated student support services project.

Exhibit 9

Additional State Education Funding under Baltimore City Schools Legislation (SB 795) and School Accountability Funding for Excellence (SAFE) Program (HB 1)

	FY 1998	FY 1999	FY 2000	Est. FY 2001	Est. FY 2002	FY 98-02
Baltimore City - State Partnership Grant - SB 795	\$30,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$230,000,000
Additional Poverty Grants - SB 795	16,563,360	16,563,360	16,563,360	16,563,360	16,563,360	82,816,800
Limited English Proficiency Grant						
SB 795	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500	9,517,500
SAFE	0	15,327,250	16,500,000	17,800,000	19,000,000	68,627,250
Targeted Improvement Grant (SAFE)	0	20,645,706	21,400,456	21,449,699	22,298,874	85,794,735
Extended Elementary Education Program						
SB 795	3,290,000	3,290,000	3,290,000	3,290,000	3,290,000	16,450,000
SAFE	0	4,365,761	4,365,761	4,365,761	4,365,761	17,463,044
Teacher Development/Mentoring Grants						
Teacher Development Grant (SAFE)	0	5,488,000	5,616,000	5,784,000	5,899,680	22,787,680
Baltimore County Teacher Mentoring Grant (SB 795)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	12,000,000
Baltimore County Teacher Development Grant (SAFE)	0	5,000,000	5,000,000	5,000,000	5,000,000	20,000,000
Prince George's County Teacher Development Grant (SAFE)	0	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Prince George's County Teacher Certification Grant (SAFE)	0	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
Statewide Teacher Certification/Development Initiatives (SAFE)	0	500,000	500,000	500,000	500,000	2,000,000
Aging Schools Program						
SB 795	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	21,750,000
SAFE	0	6,020,000	6,020,000	6,020,000	6,020,000	24,080,000
School Libraries Grant (SAFE)	0	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
Other Grants						
Montgomery County Gifted and Talented Grant (SB 795)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Prince George's County Magnet Schools Grant (SB 795)	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	5,500,000
Prince George's County Effective Schools Grant (SAFE)	0	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Prince George's County Pilot I.S.S.S. Grant (SAFE)	0	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Total	\$61,606,860	\$149,453,577	\$151,509,077	\$153,026,320	\$155,191,175	\$670,787,009
City School Legislation (SB 795)	\$61,606,860	\$81,606,860	\$81,606,860	\$81,606,860	\$81,606,860	\$388,034,300
SAFE Legislation (HB 1)	\$0	\$67,846,717	\$69,902,217	\$71,419,460	\$73,584,315	\$282,752,709